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# China Report

## ECONOMIC AFFAIRS

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2 January 1986

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## NATIONAL POLICY AND ISSUES

### JOURNAL ON NEED FOR INDIRECT ECONOMIC CONTROLS

HK290215 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 85 pp 27-30, 34

[Article by Zheng Hongqing [6774 3163 1987] of the State Restructuring of the Economic System Commission: "It Is Imperative That Control Modes Be Changed" --first draft completed May 1985 and second draft completed August 1985]

[Text The modern national economy is an organic entity of macroeconomy and microeconomy. The key to coordinating the overall national economy and bringing about operations of high efficiency lies in harmoniously linking up and uniting microeconomic actions and macroeconomic goals. This linking and unifying cannot be achieved simply by relying on spontaneous regulation by the market. It is essential to have certain control modes as integrated links. In order to accord with the innate requirements of the planned, commodity economy, it is imperative that we change from the situation where we mainly rely on direct control of microeconomic activities to one where we mainly rely on indirect control.

In essence, economic control modes are not subjective categories. Rather, they are specific organic, component parts of the patterns of economic movement. The differences between various patterns of economic movement are mainly manifested in the economic decisionmaking structure and motivation structure, the patterns of economic relationships, and the modes of control (or regulation). The economic control modes are also determined by the three preceding aspects.

For a long period in the past, our nation had a product economy marked by natural economy characteristics. Its decisionmaking structure was highly centralized. The state not only held decisionmaking power in respect of the macroeconomy, but also directly managed the majority of the microeconomic activities. The enterprises were in a passive position with no power. The motivation structure was external. Socialist material interests were negated in principle as distribution according to work was replaced by eating from "the same big pot." Regardless of whether one achieved successes in operations or made losses, whether one was diligent or lazy, no one was given appropriate economic rewards or was subject to appropriate economic penalties. Enthusiasm and initiative were inevitably destroyed and economic operations could only rely on external administrative strength. Economic relationships were subject to vertical blockades. All sorts of economic activities were

organized from top to bottom on the basis of a department or region's administrative system. Enterprises were confined within narrow bounds by departmental and regional divisions. They thus found it difficult to develop, through the market, the horizontal relationships essential in a commodity economy. All of these points determined that the state would inevitably control microeconomic activities and could adopt direct control methods; that is, control was realized by having mandatory planned targets handed down to enterprises and through administrative orders. Although this mode of control, in form, linked up the microeconomy and macroeconomy, it did so at the expense of the vitality of the enterprises. Thus, it inevitably led to the ossification of social economic activities and to low efficiency.

The patterns of movement in a planned commodity economy are completely different. Its decisionmaking structure is relatively decentralized. The state only manages major policies, while microeconomic decisionmaking power is given to enterprises. Enterprises change from being administrative appendages to being relatively independent commodity producers and operators. Its rotation structure is internal. The interests and social reputation of the enterprise and its laborers are closely linked with operating results and labor contributions. This is of great importance in increasing profits, and becomes the source of motivation in developing the economy. The economic relationships are horizontal and open. The administrative barriers between departments, regions, and cities and between different ownership systems are all dismantled and competition between enterprises, where the superior prosper and the inferior are eliminated, is developed. Also, economic and technological cooperation is widely carried out, the various production factors can flow and be organized through the market, and multitudinous horizontal relationships increase daily. In brief, the development of commodity money relations cause the roles of the law of value and market mechanism to greatly increase. People's autonomy and choice also clearly increase and economic life becomes much more complex. In this situation, it becomes increasingly difficult for the state to exercise direct control over enterprises and this demands a change to indirect control.

The actual contents of indirect control do not involve setting down stipulations in respect of the production operations of individual enterprises, but rather are focused on overall control, structural regulation, and creating an environment for fair competition between enterprises. Specifically, the major aspects are: 1) Strengthening management of total supply and total demand in society (the key lies in restricting excessive demand), maintaining a dynamic balance between the two and facilitating a buyer's market where supply is a little in excess of demand. This is a prerequisite for the full development of normal competition. 2) Setting down industry, technology, and regional development policies, and adjusting economic parameters (economic levers) in accordance with these, as well as guiding enterprise production and investment direction, and pushing the production structure, technical structure, and regional deployment toward rationalization. 3) Using economic measures to eliminate as far as possible those non-operational factors which affect the enterprise's profits. At the same time, there should be set down in law limits within which economic entities can act, and basic

principles for handling all sorts of relationships. This is a necessary condition for developing fair competition and for enlivening the micro-economy. In brief, control is not the aim. Rather, this control serves to better bring economic vigor into play. The merit of indirect control lies in that it is unitary guidance planning. Because it is "detached" and highly elastic, it is beneficial to bringing enterprises onto the track of planning and policies, and to linking up and unifying the microeconomy and the macro-economy. In addition, it opens up a wide scope for bringing into play the subjective initiative of enterprises.

Here, it must be pointed out that taking indirect control as the main factor does not exclude or do away with direct control modes. In fact, such modes cannot be abolished. In various situations, direct controls have some functions which cannot be taken over by indirect planning. Even under the capitalist system, direct controls are often used. In a socialist economy which is based on public ownership, the range of its roles can be expanded a little. This point does not need special attention only in a period when there is a change from an old system to a new one. Even in reform aims, direct control methods should be given their due position.

In the transformation of economic control modes, we cannot just stop at theoretical analysis. We need to proceed from actual economic life, and further understand its necessity and urgency.

Through the reforms since the 3d Plenary Session of the 11th CPC Central Committee, our nation's rural economic structure has undergone a basic historical transformation. The cities are also in the process of rapidly changing from the old traditional system to the new system and a series of changes of far-reaching significance has already occurred in social and economic life. The scale of direct decisionmaking and direct management by the state has decreased and enterprise autonomy has continued to expand. Following the wide implementation of the responsibility systems and the initial reforms of the systems of distribution, the "big pot" has been battered and profit motive has become increasingly important in the activities of enterprises. The high tide of opening up both internally and externally is in the ascendant. City markets which have been closed for many years are gradually being opened, and horizontal relationships are growing daily more frequent and more lively. These deep-going changes taking place in this period of structural transformation are having effects in many aspects. First, they have resulted in the swift release of the great strengths of the masses which have been latent for so long. The natural economy has begun to glow with life and vigor. This has promoted a great growth in social wealth and the state's financial situation has taken a swift turn for the better. From 1979 to 1984, national income grew at an average 7.2 percent. This was over 100 percent higher than the average annual growth rate over the 1953-78 period. It is estimated that in 1984, financial income was over 20 billion yuan. This is unprecedented. On the basis of the development of production, the people's lives have also clearly improved. However, the increase in enthusiasm on all sides can easily give rise to an "overheated" situation in economic development. At the tendency to expand investment and the pressure of increased consumption become stronger, it will lead to an excessive growth of

total demand. What is particularly worthy of attention is that the reforms have caused various economic activities to begin to break through the unitary patterns of the old system, and a complex picture of diverse forms, diverse channels, many layers, and interlocking horizontal and vertical relationships has appeared. The number of indefinite factors has increased and the "transparency" has decreased. This has greatly increased the difficulties in exercising macroeconomic control.

At the present stage, transitional direct control methods are becoming less efficacious and they are unable to accord with the new situations and new changes. However, the new indirect control methods have not yet been established. In this situation, it is very easy to lose control in various aspects. For example, as there are difficulties in curbing the excessive growth of investment demand and consumption demand, the amounts of credit provided, the amounts of currency issued, and the scale of imports have grown wildly, leading to tight supply in the market. Prices have shot up and foreign exchange income and expenditures have become unbalanced. Under the double stimulation of seeking increased speed of development and seeking short-term benefits, blind production and duplicated construction have grown continually. The long standing abuses of seeking quantity, disregarding quality, and ignoring technical transformation and the development of new products has become increasingly serious. This is particularly disadvantageous to the raising of the levels of science and technology and to the rational readjustment of the industrial structure. In fact, since the fourth quarter of last year, the above-mentioned problems have been very clearly seen. Also, this year, we have seen further big steps in price reforms and wage system structural reforms have commenced. In the short term this will probably promote the situation where overall demand exceeds overall supply. These unstable factors in economic development are urgently awaiting resolution. To this end, the state has adopted a series of measures. Many of these have been of a direct control nature. Although this was necessary, the results have not been completely ideal. Some were effective for a while, but did not last, while others even gave rise to new problems. All this shows that we must strengthen the ability of the state to control the economy. At the same time, if we are to maintain the situation of healthy development, we must quickly change from mainly using direct control methods to mainly using indirect control methods. This is a pressing task which has been placed before us by the practice of economic development and structural reforms.

How then are we to use and fully bring into play the roles of indirect control? How will we strengthen the actual ability of the state to control the economy, with only indirect control of the microeconomy? Theory and practice both show us that this requires the establishment of a complete system of control and regulation. This will allow us to handle well the internal structure of indirect control modes and will fully bring into play the overall functions of control and regulation.

The state's economic development guidance plans, especially the medium- and long-term plans, hold a leading position in indirect control modes. These set down the strategic goals and strategic focuses in social and economic development, plan the industrial structure and the deployment of the

productive forces, formulate major economic and technical policies, and control the overall scale and direction of investment and the degree to which people's lives are to be improved. This provides the basic foundation for correctly using the various control and regulatory measures. Although the tasks set down by the state's medium-and long-term plans are not directly handed down to enterprises, in the end they are implemented through the actions of enterprises. The role of economic regulatory measures lies in guiding the direction of enterprises' actions, so that as far as possible they coincide with the requirements of the plans, and in this way link up the macroeconomy and the microeconomy. Annual plans should be changed from the situation where excessive material targets are handed down to one where stress is placed on the rational allocation of national income. First, we must arrange well the general accumulation and consumption situation, so that increases in investment and expenditure of a wage nature form an appropriate ratio with the overall increase of national income. We must certainly avoid continued, large-scale "excessive allocation" in a money form. We must look at the question in terms of the whole society, formulate comprehensive investment plans, comprehensive financial and credit plans, and comprehensive plans in terms of international income and expenditure. This will be beneficial in achieving overall balances in terms of finance, credit, the market, and foreign exchange. In addition, in order to allow overall plans for the allocation of national income to be laid down, it is perhaps necessary to set down general stipulations in respect of the percentages of national income and financial income to be used for national defense, cultural, education and health undertakings, social welfare, and administrative expenses. When these general quantitative limits are included in the plans, it will form invisible "baskets" and, in using economic levers for regulation, it will be necessary to accept their restrictions. From this we can see that the direction and degree of economic regulatory measures are under the guidance of state plans, and they must serve the realization of major social and economic development goals. This thus embodies the essential requirements of a socialist planned commodity economy.

Using financial policies and banking policies in an interlinked way, and fully bringing into play the regulatory role of tax and credit is where the crux of indirect control modes lies.

For a long period, in our country demand has been excessive and has exceeded the actual supply capabilities. This has been damaging to macroeconomic balance and disadvantageous to the enlivening of the economy. We should thus take the strengthened management of social demand as the primary policy goal. Also, all funds used in investment and consumption through various channels are, in the end, derived from the two avenues of financial expenditure and credit. Through regulating the scale of financial income and expenditure and through controlling the amounts of credit and the amount of currency issued, we can have control of the sluice-gates of social demand, and actively regulate it. Thus, we can bring about a basic balance between this demand and total social supply, and attain the goals of stable currency and prices and the healthy development of the economy. Seen from the long term, the role of banks in this respect will be greater than at present. This is because, following the development of production and the deepening of the

reforms, enterprises' deposits and individuals' savings will both increase greatly. Thus the growth of banks' funds will certainly be faster than the growth of financial departments' funds. Accordingly, the proportion of financial department funds used directly in production construction will inevitably decrease, and investment in a greater number of projects will rely on credit. Thus the tightness or slackness of banks will have a decisive influence on the expansion or contraction of the economy. Banks will thus, in reality as well as in name, become the nerve center in the regulation of the national economy. In order to provide the funds necessary for economic development while guarding against the occurrence of credit inflation, we must firstly strengthen the position and role of the central bank. The central bank, in accordance with the economic growth rate appropriate for each period, the rate of price increases which can be borne, changes in the speed of currency circulation, and other important factors, will formulate plans for the issue of currency and the provision of credit. After these have been examined and approved by the State Council or the NPC, the central bank will then use all sorts of regulatory measures to guarantee their implementation. These measures will include: [word indistinct] the handing over, by specialized banks, of different percentages of their deposits as safety funds. The percentages can be changed as a means of adjusting the slackness or tightness of the banks; establishing credit relationships between the central bank and the specialized banks so that the central bank, through adjusting the rates at which it provides credit to the specialized banks, will be able to influence the interest rates in the funds market; issuing state bonds and allowing within certain limits their discounting, mortgaging and purchase and sale, to promote the transformation of currency into funds; strengthening business guidance, inspection, and supervision over specialized banks by the central bank; and in special situations having the right to adopt coercive intervention measures. Also, it is necessary for the central bank to exercise various types of guidance and quota controls in terms of credit funds.

Macroeconomic control and regulation in the banking system must have, at the microeconomic level, self-regulation mechanisms in grass-roots level specialized banks as its base. This requires that grass-roots level banks be truly run as financial enterprises. On the one hand, they must be given operational autonomy, especially in the use of funds, so that, under the guidance of state planning and policies, they will be able to act independently in providing credit and be able to vary interest rates within certain limits. On the other hand, the grass-roots level banks must establish profit and loss responsibility systems, and take on the risks of bad debts. Business between them may be interconnected, with rates at which discount borrowing of cash can be carried out being set down through agreement, so as to develop beneficial competition. We must firmly break down the concept of there being a "big pot" of funds between banks or between banks and enterprises. This will enliven the use of funds and support the development of production. It will also cause banks to be prudent in their operations, to strictly control credit conditions, and to closely examine an enterprise's sales, financial situation, and the economic and social benefits of its construction projects. This will greatly reduce blindness in the provision of credit.

The control and regulation of financial and banking decisionmaking is not passive and "uniform." Rather it is active and selective. Under the precondition of general control, the planning types of tax and tax rates, the allocation and use of financial funds, and credit conditions and rates should be closely linked with the state's development strategies, industrial policies, technological policies, and regional deployment policies. That which should be encouraged will be encouraged, while that which should be restricted will be restricted. By this means the production operations of-and investment decisionmaking by, enterprises will be correctly guided and the goals of promoting technological progress, improving the industrial structure, and rationally allocating resources will be achieved.

Pricing is another important means of achieving indirect control. As compared with other economic levers, the outstanding characteristic of pricing is that its regulation is bidirectional. When the prices of various types of commodities rise, increased supply is stimulated and at the same time demand is reduced. When the prices fall, supply is repressed and demand expands. This makes it the most sensitive and most effective lever in regulating supply and demand. Of course, the degree of sensitivity and effectiveness is objectively restricted by the fluidity of funds, materials, labor, and other important production factors. That is to say, it is restricted by the degree of completeness of the market system. Only by establishing a free market which includes all the important production factors will labor, materials, and funds be able to move in the directions indicated by price fluctuations and thus be organized anew. Only then will it be possible to achieve a flexible readjustment of the production structure, so that it can accord with changes in the demand structure. Without this condition, producers would find it difficult to respond to price fluctuations, which could easily lead to price rises of a structural nature. The important position of pricing in indirect control modes lies not only in its own intrinsic regulatory mechanisms, but also in the fact that it forms the base on which various other economic regulatory measures are brought into play. If the pricing system is not rational, the efforts an enterprise puts in and the results it achieves will not be fairly evaluated in the prices of its products. The use of levers such as tax, credit, and wages will lose their basis and will be greatly restricted. In some situations where things have been distorted, they may even play an "antiregulatory" role, and run counter to macroeconomic goals.

One view holds that pricing should be completely freed. It holds that for the enterprises, prices are only an independent indicator which reflects the value of the goods and their degree of scarcity, and that they cannot be used by the government as a means of regulating the economy. This view has a certain amount of logic. When compared with taxation and credit, the spontaneity of pricing regulation certainly requires strengthening. This will be especially so in the future, when the pricing of the majority of commodities and services will be freed. However, it must be recognized that under the conditions of a socialist planned commodity economy, prices cannot and should not be completely free. In order to maintain the stability of economic development and people's lives, the state must not only use financial and banking measures to regulate the overall level of prices,

but needs also to intervene to different degrees in the pricing of various products and services. Regardless of whether we speak in the short term or in the long term, the degree to which prices are consciously managed and used will undoubtedly be far greater than that in a free market economy. Speaking overall, pricing will, from beginning to end, be an important lever for the state in regulating the economy.

Indirect control requires not only economic measures. It particularly needs legal measures (economic measures are often realized through legal measures). We should systematize and standardize the range of action of economic entities and the basic principles guiding various economic relationships, set them down in a legal form so as to form a complete system of laws and regulations, and truly replace the "rule of men" by the rule of law. This will be an indication of the maturation of indirect control modes. If we say that regulation by economic levers is elastic and allows enterprises to respond of their own accord, then regulation by economic laws and regulations is rigid and must be acted upon. Regardless of whether we speak of the manager or the managed, all must act within legal limits and must strictly fulfill their legal responsibilities, rights, and obligations. On the one hand, this will avoid the situation where government departments use their power to indiscriminately interfere with enterprises. On the other hand, it will prevent inappropriate competitive methods, and protect the legal rights and interests of the state, enterprises, and consumers. At present, we must urgently hasten the process of economic legislation. All relatively mature, important principles which accord with objective economic [word indistinct] which have been tested through practice should be put in order and refined, and, after inspection and approval by the organs of state power, should become formal laws and regulations. This especially is true of important laws and regulations in the overall system of economic laws and regulations, such as tax laws, banking laws, wage laws, planning laws, statistical laws, company laws, enterprise laws, commercial laws, contract laws, and so on. These need to be formulated and perfected as quickly as possible. Once there is a law, it must be strictly enforced. It cannot be arbitrarily "adapted." If there are laws and they are not complied with, or if the application of laws is not stringent, or if transgressions of the law are not followed up or are followed up only half-heartedly, the serious nature of law will be lost and laws will exist only in name. This can be more dangerous than having no laws. Thus we must greatly strengthen economic legislation and economic inspection work. It is proposed that supervisory departments be established to specially manage the supervision of the enforcement of these laws. In courts at various levels, we should setup economic tribunals, and in urban areas should establish legal service offices to provide legal consultative services for enterprises and individuals. The most important thing is that, out of the whole population, we should first provide cadres at all levels with systematic education in law. In this way, legal knowledge can be disseminated and legal concepts established. This will foster the habit of respecting and adhering to law and discipline, and will ensure that firm struggle is carried out against actions which break the law or violate discipline at any level. In this way, it will be possible to establish a fine socialist economic order and it will be possible to guarantee the smooth implementation of systems reforms and economic construction.

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## NATIONAL POLICY AND ISSUES

### REPORT ON SCIENCE, TECHNOLOGY IN YEAR 2000

HK020845 Beijing JINGJI RIBAO in Chinese 11 Nov 85 p 4

[Article by Yang Weizhe [2799 4850 0772] and Gan Shijun [3927 1597 0193] of the "China's Science and Technology in the Year 2000" Research Group: "China's Science and Technology in the Year 2000"--passages within slantlines published in boldface]

#### [Text] Strategy for Development of Our Country's Science and Technology

In studying the concrete strategy for the development of our science and technology up to the end of the century, we must take two fundamental presumptions into consideration:

First, ours is a developing country with a population of 1 billion. It has established an industrial base on a fairly large scale, but its target of industrialization has not yet been achieved. Our traditional technology and industrialization has not yet been achieved. Our traditional technology and industry still call for great development.

Second, the booming new technological revolution in the world will produce a great impact on the development of our country. This has provided our country with an opportunity to directly exploit the latest world scientific and technological achievements, skip over certain stages of development, and quicken the pace of modernization. It also poses a serious challenge to our country.

To realize industrialization and to usher in the challenge of a new technological revolution is a two-in-one strategic task for our scientific and technological development up to the year 2000. Therefore, to correctly settle on the priority areas of development and properly handle the relationship between traditional technology and high technology is a strategic choice that must be made in our science and technology.

This calls for coordinated scientific and technological and socioeconomic development, and for treating science and technology as part of the whole massive system. Generally, we must put the emphasis on the development of traditional technology, but at the same time, we must pay great attention to the development of high technology. We must form a complex technical

system that allows the simultaneous development of traditional technology and high technology, the close combination of imported technology and domestic technology, and the coexistence, at various levels, of technologies developed to different stages.

In light of this development strategy, we project the development of our science and technology in two stages within the century.

The first stage involves the energetic development of traditional technology and industry in the period of the Seventh 5-Year Plan and in the first part of the Eighth 5-Year Plan, and also the use of high technology--chiefly microelectronic technology--in reforming traditional technology and industry.

The second stage calls for combining the continuous development of traditional technology and industry with the accelerated development of high technology in the latter part of the Eighth 5-Year Plan and in the period of the Ninth 5-Year Plan. Particular attention is to be paid to the integration of high technology and traditional technology.

Our program of action for development up to the year 2000, concretely speaking, chiefly covers the following six aspects:

/1. To introduce the open-door policy and strengthen the importation of technology is an important guideline for accelerating our scientific and technical development./

The greater part of practical research and technological exploration being carried out by our country at present is fundamentally still of an imitative nature. Therefore, within the century and for a number of years into the early 21st century, for the important technology required in the development of our national economy we should liberally import and absorb advanced foreign technology. The importation of technology is to be counted upon to stimulate scientific and technical work at home and to improve our existing technical state. Accordingly, in scientific research work, we should change the practice of researching and manufacturing given items from beginning to end and seeking the production of everything in China. We should instead shift the focus of technical development and certain practical research work to the road that allows the assimilation and absorption of imported technology and the improvement of the technical capacity for creating the new.

/2. We must uphold the guideline calling for the technical transformation of existing enterprises./

The technical transformation of more than 6,000 large enterprises, 400,000-plus medium-sized and small enterprises, and several million town and township enterprises now in existence will impose a large number of scientific and technical tasks on science and technology. We must avoid the trend of science and technology being detached from these main tasks in one-sided

pursuit of separate development. We must also guard against the trend of technical transformation being prompted by the sheer pursuit of simple expanded production capacity, to the neglect of an improved technical level.

Using high technology to transform traditional industry is an important part of technical transformation. Generally speaking, four relevant tasks are involved:

We must use electronics and information technology to transform energy, communications, telecommunications, and other fundamental social facilities and improve the level of management and the quality of people's lives.

We must use mechanical and electronic technologies to transform our manufacturing industry.

We must use biotechnology to raise the levels of our agriculture, food, medicine, and so forth.

We must energetically develop new materials technologies, with development efforts including the creation of areas of application for new types of materials. This is to serve engineering, energy, electronics, communications, and other industries.

/3. We must pay great attention to the development of high technology and establish new industries in good time./

Within the century, our country cannot possibly establish an overall system of new industries being linked up to form a whole. We can only be selective and seek development with emphasis.

There are three contemporary groups of industries being developed with emphasis abroad:

Microelectronic industries;

New Materials industries;

And Biotechnological industries.

For the remainder of the century, our country will focus on the development of the first new group of industries and pay particular attention to the development of integrated circuits, computers, telecommunications technology, and so forth. New materials form the basis of high technology and should also be given priority in development on a selective basis. Certain aspects of biotechnology possess superior features in our country and can form part of a new industry. But the overall development of biotechnology is expected to take place in the 21st century.

The second echelon of technical development calls for combining the strategic priority of national economic development with certain priority areas of development, including technologies in such fields as agriculture, energy, communications and transportation, raw materials, engineering, consumer goods, and so forth. In this century, these technologies will constitute the core of our technical system.

The third echelon of technical development will involve other areas of high technology that provide "logistical" support for economic and social development, areas including biotechnology, new materials, nuclear technology, space technology, new energy technologies, lasers, remote control, superconductivity, and other new technologies.

The establishment of these vanguard technologies and technological echelons will represent the fundamental pattern for the development of our science and technology up to the year 2000.

/5. Based on different features and different technical levels, we must form technical structures at different administrative levels and pay attention to imbalances in regional development./

From southeast coastal areas to Northwestern China, our scientific and technical levels form a series of steps leading downward. During this century, they can be divided into several levels for development.

The special economic zones and the 14 coastal cities must speed up the development of new technology and high technology and gradually extend such development to various coastal provinces.

Central China must focus on the development of traditional industry and technology and gradually form a complex technical system combining high technology with traditional technology.

On the basis of third-line construction, southwestern areas must form a system of technologies developed to various levels that the areas themselves link up to form a whole.

Western areas that are relatively backward economically and scientifically should start with the development of certain important resources in economic and technical development and pay attention to strengthening the popularization of science and technology.

/6. We must pay great attention to development-related research and energetically develop appropriate technologies./

For those scientific research projects that can produce results in 5, 10, or even 20 years to increase social productivity, the state should render all possible support.

Meanwhile, we must strengthen fundamental research, especially fundamental research with a fixed direction that promises inventions of great use. We

We must strive to achieve advanced world levels and to wrest world "gold medals" for science and technology.

But in the near future, we must energetically develop and rapidly popularize certain technologies which cover a wide field and which can be converted directly into productivity in a short period of time. We must bring science and technology to the countryside and serve the revitalization of the local economy.

#### Encouraging Prospects for Development

In the year 2000, the basic characteristics of our science and technology will be: The initial realization of the transition toward modernization; the transition from a closed to an open type; the transition from an imitative to a creative type; the transition from a purely research type to a research and operating type; and the transition from deviation from society and the economy to development in harmony with society and the economy. In the language of science and technology, our science and technology will transit from a solid state to a malleable state. That is to say that, through reform and through opening up to the outside world, the scientific and technical front will change its state of inflexibility and absence of life and enter instead a period of great development that is packed with life and vitality.

What picture will our science and technology present in the year 2000?

/First, our science and technology will undergo fundamental changes./ The reform of the economic system will bring vitality to our economy. A planned commodity economy will allow competition and will enable the economy to impose strong, built-in demands on science and technology. With technical commercialization as a breakthrough, science and technology will be consciously oriented toward economic construction. With changes in the system of fund appropriation and the growth of the technical strength of enterprises, our country will gradually form a new scientific and technological system inseparable from the social economy.

/Second, the social concept of the value of knowledge will also undergo fundamental changes./ Society will realize the extremely important role of knowledge in creating wealth. Therefore, as carriers of knowledge, scientific and technical personnel will command the widespread respect of society. Their role will be brought into full play. Our scientific and technical front will be especially marked by a reduction in the average age of its composition. A number of 30-or 40-year-old professors and experts and a number of middle-aged and young high-level scientific and technical personnel in charge will be active on our scientific and technical stage.

/Third, by the year 2000, our country will fundamentally complete the task of industrialization. Traditional technology and industry will tend to be mature. High technology and new industry will begin to be an important factor in the development of the national economy./

It is expected that our country will have a technological foundation or level much higher than at the initial stage of Western industrialization. For example, modern information technology will raise the efficiency of our fundamental social structure. Our manufacturing industry will be armed with combined industrialization and electrification. The development of new materials science and technology will change the production and technical structures of our raw materials and even energy.

/Fourth, there will be a marked improvement in our scientific and technical levels./

The scientific level. This finds its chief expression in the levels of scientists and the state's capacity for scientific creation.

In the year 2000, as far as fundamental and practical [word indistinct] is concerned, our country will have a number of scientists measuring up to world levels. In certain aspects of such fields as mathematics, astronomy, biomechanics, geoscience, and so forth, we are likely to stand in the forefront of the world. In certain engineering-related sciences, such as information science, materials science, microelectronics, photoelectronics, electromagnetic field theory, machine-building, and so forth, there will be great development. There may also be breakthroughs in certain limit technologies, such as superhigh pressures, ultralow temperatures, superconductivity, extreme purity, and so forth.

The technical level. Our composite technical capacity or level is expected to reach the level of developed countries prevailing toward the end of the seventies and in the early eighties. It is likely to reach the level of the nineties in some aspects of certain areas, such as the petroleum industry, petrochemistry, mechanical technology, and microelectronic technology.

Our country's science and technology will increase its competitiveness where the economy is concerned. Mechanical, electrical, and petrochemical products, new materials, photoconductive fibers, laser machinery, and technology-intensive products like color TV sets, electronic sewing machines, and so forth will account for quite a large percentage of our industrial output value. Certain products possessing superior features in such fields as the light textile industry, handicrafts, mining, the food industry, and so forth will have relatively great competitiveness in the world. The development of our special economic zones and the 14 coastal cities is likely to enable our country to use directly more advanced foreign technology. Thus, we can relatively quickly increase our competitiveness and improve our foreign trade.

/Fifth, our countryside will provide an extremely broad and strong market for the development of science and technology./ Toward the end of the century, our agricultural front will have undergone earthshaking changes. A brand new kind of three-dimensional and comprehensively developed mass agriculture will appear in the vast territory of our country. Meanwhile, several hundred million peasants will leave the fields but not the countryside, switching from crop-planting to various trades. There will appear the

greatest readjustment of the industrial structure in the history of our country. Science and technology will constitute the most dynamic and lively factor in this great movement. In the year 2000, our countryside will have several million town and township enterprises. They will not only handle traditional industries, such as agricultural and side-line-product-processing industries, the construction industry, the food industry, transportation, mining, and so forth, but will also launch extensively in the countryside biotechnology, microelectronic technology, and other high technologies and new industries.

/Sixth, our science and technology will be further fully opened up, and international scientific and technical cooperation will be further strengthened./

At the end of the century, our scientific and technical front will have ever more frequent exchanges with international scientific and technical circles. Our country will get involved in a series of international scientific and technical cooperation projects, and especially certain areas of highly advanced technologies and important sciences, such as new computers, genetic engineering, energy technology, space technology, oceanic exploration, nuclear fusion research, and so forth, and also software fields, such as scientific and technical development strategy, systems analysis, and so forth.

Historical experience shows that like various other undertakings of our country, our science and technology develop very quickly under normal circumstances. Despite difficulties and hazards likely to obstruct the road of advance ahead, the spiritual shackles long restricting the scientific and technical front have been smashed. Spring has come for science. So long as we advance along the road pointed out by the party, our science and technology can surely join the ranks of advanced countries in the world and make the proper contributions of the Chinese nation to mankind!

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## NATIONAL POLICY AND ISSUES

### RESEARCH REPORT ON NATURAL RESOURCES IN YEAR 2000

HK020849 Beijing JINGJI RIBAO in Chinese 13 Nov 85 p 3

[Article by Chen Qi [7115 3825] of the "China's Natural Resources by the Year 2000" Research Group: "China's Natural Resources in the Year 2000"--passages within slantlines published in boldface]

[Text] Natural resources are the material base on which mankind depends for existence and development. The use of natural resources can be summarized in the following two aspects: One is their use as raw materials in the development of production, the other is the protection of the environment and the maintenance of the ecological balance. The development of material conditions and the raising of people's living standards in a country or in an area are directly or indirectly related to the way in which natural resources are utilized in these two aspects.

#### I. The Characteristics of China's Natural Resources

1. Our country has a vast expanse of land. Geological conditions and climate vary tremendously and population and natural resources are distributed very unevenly. Generally speaking, the conditions of light, heat, water, and soil, which have a direct bearing on agricultural production, are fairly good. Our country has numerous mountains which cover two-thirds of its land, with a great disparity in the height of the physical features between the east and the west. Transport conditions in our country are poor because there are very few rivers running from south to north. Moreover, our water resources are distributed very unevenly, with 80 percent of them mainly distributed in the Chang Jiang basin and some areas to the south of it. In China, rainfall is concentrated in a particular period of the year, and this is liable to bring about heavy flooding and drought in some areas. Meanwhile, the distribution of mineral resources is also uneven. Deposits of iron ore which indicate fairly good prospects are mainly located in the Liaodong peninsula, eastern Hebei, Panxi [2372 6007], and the middle and lower reaches of the Chang Jiang. The state of affairs in which extracted coal has to be sent from the north to the south and extracted phosphorus from the south to the north will continue over a long period of time. These characteristics of our natural resources create imbalances in the social and economic development of our country.

2. Our natural resources are abundant. However, if they are calculated on a per capita basis, their amounts are small. For example, the hydroelectric power potential of all Chinese rivers is estimated at 680 million kilowatts, placing China first among all countries in the world. In addition, the 45 major mineral resources already verified in China are estimated to have a potential value of U.S.\$11,000 billion, ranking third in the world. However, if this is estimated on a per capita basis, the level of our natural resources is well below the world average.

3. The natural resources of our country are mostly not of high quality.

4. There are great advantages and great potential in exploiting and utilizing our natural resources in a comprehensive way. For example, about 4 billion mu of land is available in China for planting trees, 3.3 times the existing forest area; China's polders and shallow sea waters are estimated at about 20 million mu, but only 14 percent are being used at present; and the potential of our offshore petroleum development is very large.

## II. The Prospects for Our Natural Resources

Our country has abundant natural resources, whether on the surface, underground, or in the sea. Their deposits entirely enable us through self-reliance to quadruple our industrial and agricultural production by 2000 and to attain the goal of making our people completely well-off. However, these unexploited resources vary in quantity. Surface resources will remain in short supply in the coming 20 years due to the pressure of increasing population. Calculated on a per capita bases, farmland will fall to 1.5 mu by 2000. If we want per capita grain production to reach 800 jin by the end of this century as planned, then an increase in yield of 200 jin of grain per mu annually should be ensured in the coming 20 years. The shortage of water resources will mean a potential crisis in our country. Deficient supplies of water along the Liao He, the lower reaches of the Huang He, in the coastal areas of Shandong, and in some areas in the arid northwest will remain a problem which can hardly be solved in the distant future. Meanwhile, supplies of timber will continue to fall short of demand for a fairly long time to come.

With regard to mineral resources, there are a certain number of new mines which have not yet been exploited in our country. By the end of this century, there are likely to be enough minerals for producing iron and steel, 10 nonferrous metals, nitrogenous, phosphate, and potash fertilizers, and cement, but small amounts of rich iron and copper ores will have to be imported and reserves of a few minerals will not be able to meet the needs of the country. Oil deposits and oil extraction are out of proportion, but the prospects for development are broad.

The potential for developing our marine resources is great. Progress has been made in this field, but the scale is small and the methods of production are not up to date. The work of exploiting some new marine resources is

still in the initial stages. It is tentatively predicted that offshore petroleum development will forge ahead more quickly than other undertakings to exploit marine resources within this century.

### III. The Policy and Guidng Ideology for Exploitation and Utilization of Our Natural Resources

As for exploitation and utilization of our natural resources, basing ourselves on self-sufficiency in the main, there are some kinds which we have to import or export. Efforts must be made to give full play to our advantages and to open up more sources and regulate the flow. Such a policy gives consideration to the exploitation and utilization of our natural resources in an overall way. On the one hand, we must do everything possible to exploit the existing natural resources and arouse the enthusiasm of the state, the collective, and the individual to open up all workable mines, either large or small, in order to achieve immediate better economic results; on the other hand, we must strengthen managerial work to diminish waste in exploitation and utilization of natural resources and must develop an economic system that can save natural resources. Meanwhile, we must make full use of our own natural resources and those of other countries. Taking the opportunity when traditional industries of developed countries are at a standstill and are awaiting replacement, and when the situation in which the supply of many primary products exceeds demand may not change for a long time, we can appropriately increase the import of such primary products as timber, grain, and ore. Under the guidance of this principle, adequate attention must be paid to the following eight points in [word indistinct] and utilization of natural resources.

1. /Pursue the opening up policy and increase the volume of import and export of raw and semi-finished material./ However, such opening up should be based mainly on self-sufficiency in strategic resources which have a bearing on the national economy and the people's livelihood. Under this condition, we must insist that the total volume of import or export should not be over one-fourth of the volume for self-sufficiency. Considering the fact that on a per capita basis, the level of our natural resources is low, we must increase the export of labor and technology in the future, while appropriately importing more raw and semi-finished materials at a low price.
2. /Great importance should be attached to overall planning for exploitation of land./ Along with the extension of the scale of economic construction, control over converting farmland to other uses should be regarded as matter of great importance vital to the existence of 1 billion people. It is predicted that farmland will be reduced by more than 300 million mu between 1980 and 2000. We must therefore pay great attention to wanton destruction of our space for existence by means of such levers as taxation and laws.
3. /Bring about better results in utilization of natural resources by means of extensive application of modern science and technology./ The limited nature of our natural resources can hardly meet the needs of an increasing population. This question should be solved by means of science and technology.

The only way out for our agriculture is to develop biological technology. China is rich in mineral resources, but they cannot be fully utilized because our in-depth processing industry is not well developed. On this point, it is imperative for us to organize a certain number of people to tackle key problems in this aspect.

4. /Strengthen the work of retrieving natural resources for reutilization./ We must establish a system of recycling natural resources so as to convert waste products recovered from production processes and consumer goods into useful materials and to make full use of them.

5. /Establish a system of appraising natural resources./ By appraising natural resources and calculating their economic value, we should start to collect reasonable fees from the units which use natural resources. The state can regulate utilization and recovery of natural resources by means of such levers as taxation and pricing. Meanwhile, we must set a number of economic indexes reflecting the economic results of our natural resources. This can help the state administrative departments pay close attention to current production and economic [word indistinct] effectively control utilization of our limited natural resources.

6. /A rational distribution of productive forces for exploitation of natural resources./ Natural resources are widely dispersed over our country. This results in uneven distribution of these resources in different parts of the country. Meanwhile, exploitation of natural resources is also restricted by funds, technology, climate, environment, the development of industry and agriculture, and transport conditions. Therefore, in developing the national economy, we have to arrange a rational distribution of productive forces in line with the distribution of natural resources and social and economic conditions. From now until the beginning of the nineties, we must vigorously develop the economy along the eastern coast, thus spreading its economic influence to other countries as well as to the interior and western part of our country. In view of the abundant resources in the central part of our country, we must shift the focus of our economic construction to the center from 1990. Meanwhile, there are natural resources in abundance in the western part of our country. We must now step up the prospecting of natural resources there, strengthen afforestation and the building of grasslands, exploit water resources on a rational basis, and develop agriculture and animal husbandry so as to lay a solid foundation for faster development of the economy in the future. In cooperation with the coastal areas, some areas with good natural conditions can develop production which can make full use of local natural resources.

7. /Reform the management structure of natural resources./ There are three obvious drawbacks in the structure of our management of natural resources. 1) The state ownership of natural resources has actually been retained by different departments and areas. This does no good to systematic management and overall exploitation of natural resources. 2) Prices of many primary products are on the low side. This harms the initiative of the relevant departments in exploitation of natural resources and updating and transformation of technology. 3) Gratuitous utilization of natural resources results

in vast waste and unequal distribution of interests. It is suggested that a state committee for natural resources be set up as a decisionmaking organ to control exploitation of natural resources and utilization of land on a rational basis and in a unified way. Meanwhile, we must raise prices of raw and semifinished materials step by step and practice strict economy in utilization of limited natural resources. Based on theoretical [as published] prices, we may raise the prices of scarce resources more than those of others. In view of the characteristic that the balance between supply and demand of natural resources depends on the global scale, we may therefore link the prices of our natural resources with those of the world market. In addition, units which use state-owned natural resources must be charged certain fees, including a tax on the utilization of resources and tax on readjusting [as published] natural resources. The money can be used as funds for the prospecting and exploitation of natural resources. In accordance with the regulations and rules governing paid transfer of technological achievements, this practice can also be applied to some kinds of geological prospecting achievements.

8. /Pay and conditions of workers of departments in charge of prospecting and exploitation of natural resources should be improved./ The intensity of labor of workers engaged in prospecting and exploitation of natural resources is greater and their living and working conditions are hard. They can hardly enjoy normal family life and their children find it difficult to go to school and obtain employment. To overcome these difficulties of theirs, we must establish some relevant regulations and rules in the material and political fields so as to improve their pay and conditions.

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## NATIONAL POLICY AND ISSUES

### OVERALL QUANTITATIVE ANALYSIS OF PRC BY YEAR 2000

HK050841 Beijing JINGJI RIBAO in Chinese 20 Nov 85 p 3

[Article by Li Boxi [2621 3124 3305], Li Shantong [2621 0810 0681], and Pang Bangxuan [7894 6721 6693] of the [Overall Quantitative Analysis of China by the Year 2000" Research Group: "Overall Quantitative Analysis of China by the Year 2000"]

[Text] The study of "China by the Year 2000" is a long-term, comprehensive, and strategic study concentrating on strategic options and policy analyses. The object of this study is an enormous system including China's economy, science, technology, and all aspects of society. In addition to a wide range of professional knowledge, it also needs the theories and methods of comprehensive subjects [zhong he xue ke 4844 0678 1331 4430]. In our research work, we have extensively adopted the practice of integrating qualitative with quantitative analyses and conventional with modern methods. We also attached particular importance to the application of various modern scientific methods, including systems engineering.

Qualitative analysis is the precondition or basis of quantitative analysis. Only by making a quantitative analysis under the guidance of qualitative analysis is it possible to grasp the heart or essence of the matter. Quantitative analysis is the deepening of, as well as the basis of conclusions in, qualitative analysis. Therefore, it is absolutely necessary to integrate qualitative with quantitative analyses. Compared with qualitative analysis, quantitative analysis constitutes an even weaker link in China's economic study. In the study of "China by the year 2000," we have intentionally strengthened quantitative analysis. In our separate reports we have conducted extensive quantitative analyses to support our studies and we have set up our own mathematical models for most of our separate reports. Moreover, in an effort to make a comprehensive analysis of the mutual relationships between various major factors in China's economic, scientific, technological, and social development, we have made an overall quantitative analysis or an overall systems analysis. The overall quantitative analysis constitutes an important basis of the quantitative analysis in the general report and is a means to coordinate quantitative analyses in various separate reports.

In the overall quantitative analysis, we applied a method of modern systems analysis, a macromodel system consisting of seven models, and computers in calculating numerous optional plans and, on the basis of various simulated policies, put forward our proposals. The seven models are the "model of development strategy and policy analysis," "model of macroeconomy," "model of plans for the coordinated development of population and economy," "model of quantitative analysis of the economic setup," "model of expanded reproduction in two major categories," "model of long-term development trends," and "macroeconomic model for medium and long-term planning." The functions of the models include studies on a comprehensive balance among different branches of the national economy, on economic development strategies and tactics suited to the development of population and based on the relationship between population and economy, and on the general law governing changes in economic setups by comparing China's economic setup with those of other countries; forecasts and analyses of long-term planning in light of the special features of China's planning work; studies on the long-term development trends of the socioeconomic system; and revealing of the internal relationship between the proportional relations between the two major economic branches on the one hand and the growth rate of national income on the other.

Being an enormous and complicated system by the year 2000, China cannot be summed up by using a single model. [As received] We use the above-mentioned model system to study and analyze the development prospects of China's socioeconomic from different angles and by different methods and to show the development strategies and policies related to the long-term objective. The model types include those showing econometrics, input and output, optimat, recursion formulas, and systems dynamics. According to the characteristics of their applications, the models can be divided into those showing a comprehensive balance, an overall analysis, a structural analysis, a target system, a scientific and technological progress analysis, and the coordinated development of population and economy. The period covered in the models is generally from 1980 to 2000, while that in the systems dynamic model is from 1980 to 2080. These models contain theoretical mathematics or principles describing the operational relationships and development mechanisms of China's socioeconomic, with the stress on mutual relationships between various quantitative changes, as well as practical quantitative calculations with the stress on practical plans and forecasts and the analysis of practical date. The former stresses our understanding of economic systems and operational mechanisms, while the latter stresses experiments on forecasts and policies and achievement of conclusion data. The former is the basis of the latter, which tests the former. According to the application of data, the models can also be divided into the following types:

1. In studying the totality amount and setup of the national economy and analyzing some policies, we use the practical calculation models. The calculations and approximations are based as strictly as possible on statistical data. However, in electing the mutual relationship of variables and [word indistinct] variables [wai sheng bian liang 1120 3932 6239 6852], this type of model often uses many overcritical hypotheses, which affect the accuracy of calculation to a certain extent.

2. In studying some policy and social issues, some models use relatively convincing, empirical data, such as assessments by experts comparisons with other countries, and typical investigations, and the conclusions are likewise valuable in making quantitative analyses.
3. With regard to major policy issues for which we lack practical data, we have tried, to the best of our ability, to advance some rational hypotheses and to adopt various methods, such as analyses of preconditions, comparisons and analyses of the best circumstances, quantitative analyses, or quantitative analyses of typical examples, toward the models of principles, and the conclusions drawn therefrom are valuable in analyzing the direction of issues or the principal quantitative relationships, which can chiefly be used in analyzing strategies and policies related to reforms.
4. In this set of model systems, some are entireties with minor models operating independently or in coordination with other models; some consist of independent models with different characteristics and functions; some consist of models analyzing important topics; and some consist of models showing long-term development trends in the 100 years to come. Some models use data to express conclusions, trends, or qualitative issues. In analyzing certain issues, some models overlap one another, which makes mutual checking at the same level easier.

We use the above-mentioned model systems to forecast the annual consumption level and pattern, production setup, investment scale and pattern, and growth rate from 1980 to 2000; to simulate various policies; and to explore methods of development from now until the end of this century. In short, we have analyzed and calculated a wide range of issues. In this article we shall only give a brief explanation of some issues under discussion.

To achieve the objective of economic development laid down by the 12th CPC National Congress, we are confronted with several strategic options, we use models to calculate various options, to comprehensively compare the differences between various plans regarding growth rate, people's material benefit, rationalization of the economic pattern, coordination of various proportional relations, improvement of economic results, and the sustained and stable growth of the economy, and to use systematic data to show that we can likewise achieve "quadruplication." However, some strategic plans may result in a rapid increase of national strength and substantial material benefit for the people, and some may result in a slow increase of national strength and little material benefit for the people. Therefore, out of various plans for balanced development, heavy-duty structure, and rapid development, we have selected the plan for balanced development and put forward corresponding policy measures.

Proceeding from the objective of meeting the growing material and cultural needs of the people through socialist production, we studied various plans for achieving the objectives for the year 2000 in light of our population and natural resources and on the basis of maintaining the coordinated, steady, and sustained growth of the economy. We also studied and defined the

improvement margin of the people's living standards, chose a consumption pattern suited to national conditions, and explored appropriate proportional relations between the people's immediate and long-term profits and between the development of production and the improvement of people's living standards. After comparing various plans, we drew the outline of improved living standards for the people.

In the course of speeding up China's industrialization, we should scientifically foresee the changing trends in production structure and promptly readjust and rationalize our production structure so as to maintain the co-ordinated, steady, and sustained development of the national economy. We have not only forecast the development of production in various departments and the process of structural changes from now to the end of the century, but also analyzed the effects the production capacities of various departments have on the development of the national economy.

The speed of economic development and the scale of construction are linked to, and condition, each other. A certain speed of development must be supported by the corresponding scale of construction while the scale of construction is restricted by the current development of production, particularly the development of heavy industry. For this reason, it is necessary to take into overall consideration the needs of production development and possible supplies and to arrange the scale of construction in a scientific and objective manner. In keeping with this line of thinking, we used mathematical models to forecast the total scale and pattern of investment in capital construction in the period of the Seventh, Eighth, and Ninth 5-Year Plans.

We have studied various ways and tactical options to achieve our objective of development. Basing ourselves on China's population, capital, and natural resources, taking into account the fact that energy shortage and the strain on transport and telecommunications have seriously affected our economic development, and using the experience of other countries for reference, we have also designed six models of production structure, explored the effect of different development strategies and policies on China's economic development in the 15 years to come, and put forward some policy proposals for the modernization of production and the development of imports and exports.

In the report we have also analyzed the effect of the irrational price system on economic development, put forward the theory, methods, and steps of price adjustment, and conducted simulated experiments on price adjustment on a small scale.

We have given a brief introduction to our research in quantitative analysis. It is far from adequate in summarizing the large amount of forecast and analytical work we have carried out in the past 2 years. Moreover, to make it easier for people to understand, we have given explanations according to different issues. As a matter of fact, many issues have been analyzed, calculated, and studied in a comprehensive way and simulated experiments on policies have also been conducted in a coordinated manner. We have systematically calculated and analyzed all these by using the entire model system and

expressed fixed quantities with complete scientific data. That is to say, we use quantities to explain problems, to assess policies, and to describe future development trends. This is the most distinguishing feature of the work of the "Overall Quantitative Analysis of China by the Year 2000," which has been insufficiently demonstrated in this article.

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## NATIONAL POLICY AND ISSUES

### JOURNAL ON DEVELOPMENT OF TOWNSHIP ENTERPRISES

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[Article by Chen Xiwen [7115 6932 2429] of the Research Group on the Development of China's Rural Areas: "Changes in the Setup of the National Economy and the Development of Township and Town Enterprises"--written in August 1985]

[Text] In 1984, the output value of township and town enterprises in our country accounted for 13.3 percent of the total output value of our society (see JINGJI RIBAO, 10 June 1985), and the output value of the industrial enterprises at the five levels in townships and towns taken together accounted for 16.1 percent of the total industrial output value of the country. The next value of the fixed assets owned by the enterprises at the township and village levels was already equivalent to 14.11 percent of the total net value of the fixed assets of all the state-run industrial enterprises with independent accounting in 1983, and the number of persons of nonagricultural productive forces being employed in township and town enterprises amounted to 62.27 percent of the total number of persons of nonagricultural labor forces employed in various departments owned by the whole people in 1983. On 1984, 14.5 percent of the net increased amount of the state financial revenues and 19.5 percent of the newly increased amount of taxes of the country came from the newly increased tax funds delivered by township and town enterprises (see JINGJI RIBAO, 10 June 85). In addition, 19.7 percent of the total energy resources output in the country came from the output of raw coal produced by township and town enterprises (*Ibid.*). All these figures show that in many aspects of our economic life, township and town enterprises hold a position not to be slighted; and the evaluation of the role and functions of township and town enterprises should never again be limited to the countryside proper.

Township and town enterprises have entered a stage of rapid expansion in recent years. In 1984, the total output value of these enterprises increased by 40 percent over the previous year; and in the first quarter of 1985, the output value of these enterprises again increased by 51 percent compared with the same period of the previous year (*Ibid.*). This superhigh speed of growth has made township and town enterprises one of the focuses attracting the public opinion of the whole economics circle. Of course, conscientious studies should be carried out regarding the advantages and disadvantages

brought about by this rapid expansion. However, in analyzing the causes of this rapid growth of township and town enterprises, it is inevitable we should also assess the original pattern and mechanism of the growth of the national economy and judge the development and the changes in the setup of the national economy. Therefore, even if we only pass a judgment on the speed of development of these enterprises, we should also analyze the problem of township and town enterprises in association with the setup of the entire national economy. This article attempts to present some initial and brief views.

## I

When a comparison is made with other countries, an important aspect in analyzing China's special problems in connection with the economy is that the problem of rural areas should not be regarded simply as the problem of agriculture. The reason why we highlight this problem first is that in our rural areas today there are still a surprisingly greater number of people in excess of the actual needs of our agriculture.

According to the statistics of the World Bank, in 1982, the population of China constituted about 22.1 percent of the total population of the world; but our urban population constituted only 11.6 percent of the total urban population of the world, while the population in our rural areas constituted 29.2 percent of the total rural population of the world, of which the rural population of China in the laboring age bracket (15-64) constituted 32.7 percent of the total of the world (see the World Bank's "1984 World Development Report"). That is, of every three rural persons of laboring age in the world, one is in the rural areas of China. However, the natural agricultural resources of our country are far from constituting such a high proportion of the world's total. For example, the total area of arable land in our country constitutes less than 9 percent of the world's total (there are many estimated figures concerning the area of arable land of our country; calculation is made here on the basis of a total of 2 billion mu.). A rural laboring population constituting one-third of the world's total has to be in association with only one-eleventh of the total area of arable land in the world, and that is one of the most serious difficulties in developing China's rural areas. Obviously, in order to enable China's rural areas to get rich, a comparatively unique road of development must be followed so that this evidently irrational deployment of the rural resources can be changed.

Making some necessary comparisons with other countries on a worldwide scale is beneficial both to deepening our understanding of the difficulties in developing our rural areas and to keeping a sober mind in our selecting an appropriate road of developing our economy. From the statistical data of the World Bank on the economic conditions of 126 countries in 1982, (see the World Bank's "1984 World Development Report"), we can derive the following three points of cognizance:

1. Aside from some individual countries with relatively small populations but with rich resources, when average countries attain a per capital national

income of \$800, their laboring forces in agriculture generally constitute less than 60 percent of the total laboring forces of the society.

2. When large countries (countries with a population of over 20 million are generally classified as "large countries" in international practice) attain a per capita national income of \$800 and above, their laboring forces in agriculture generally constitutes less than 50 percent of the total of the society, and their urban population normally constitutes more than 40 percent of the total; and when especially large countries (here it means those countries with a population of over 100 million) attain a per capita national income of \$800, the proportion of their rural laboring forces is lower than that of the large countries and the proportion of their urban population in the total population of the society is higher than that of the large countries.

When a comparison is made with those especially large countries with a per capita national income or total population comparatively similar to ours (here it means Indonesia and India), either the proportion of our rural laboring forces appears higher than average, or the proportion of per capita arable land in the rural areas of our country appears lower than average.

One of the economic targets to be achieved by our country by the end of the century is to realize a per capital GNP of \$800. On the basis of the above three points of cognizance, if we are to achieve this target, we have to manage to lower the proportion of our rural laboring forces and increase the proportion of our urban population. With regard to those countries which have attained a per capita national income of \$800, even though there are differences in their road of development and in the concrete conditions after this figure has been achieved, their structure of the laboring forces and the changes of the distribution of the population are in line with the above conclusion. Naturally there is no reason that our country should neglect this experience of a worldwide nature.

However, if our country can achieve simultaneous development in reducing the proportion of the rural laboring forces and increasing the proportion of the urban population, the difficulties faced by China in developing the rural areas will not be so serious and the road of development for China's economy will not be so specific.

Our country has developed for more than 30 years with reference to the Soviet pattern of economic development. It can be seen from the great number of views of Stalin on "the scissors differential in the exchanges of the industrial and agricultural products" that as early as 50 or 60 years ago the Soviet Government began to consciously set up a pattern of economic development: The funds for the development of the cities and industry were first procured from agriculture, and then on the basis of the development of the cities and industry, through the path of granting financial subsidies to agriculture, technical assistance, and absorbing the laboring forces from the rural areas, the degree of intensive agriculture was enhanced and

and the development of the rural areas was achieved. Here we do not intend to discuss the conditions imposed on the Soviet peasants by this pattern of development, but this pattern of development did show its successful aspect success beginning from the early 1960's: the proportion of the Soviet rural laboring forces decreased from 42 percent in 1960 to 14 percent in 1982, and in the same period the proportion of the urban population increased from 49 percent of the total population to 63 percent. (See the World Bank's "1984 World Development Report") It is obvious that when we adopted the USSR's economic development pattern, we did not achieve a success similar to the Soviet one in respect to the changes in the structure of the laboring forces and in the distribution of the population. The causes are manifold, which needs specific analysis and study. But one of the important reasons that enable us to make a straightforward judgment is that the USSR did not come across a huge rural population such as ours. Because of the existence of such a huge rural population, the capability of mobilizing funds for the development of the state-run industry after the USSR's pattern was no doubt quite great. However, as a result of the low economic results caused by the original economic system, the development of the state-run industrial system was unable to meet even the need for new jobs required by the natural growth of the urban population. Therefore, in the course of the growth of our national economy, our country not only took into consideration the Soviet pattern of developing industry and agriculture separately, but also had to adopt a more stringent measure in separating the cities from the countryside so as to ensure the employment of urban residents and the compatibility of their level of income with the level of development of state-run industry. Thus, the crux of the difficulties in developing our rural areas may be summarized as: The jobs newly created by the development of the state-run industrial system are not effectively used in reducing the proportion of the rural laboring forces, thereby directly inhibiting the enhancement of the growth of the proportion of the urban population and at the same time inhibiting the enhancement of the labor productivity of our agriculture.

In the course of developing our economy with reference to the Soviet pattern, for a very long period of time we overestimate the capability of the urban industrialization in absorbing the labor forces from agriculture. As a result, we were not conscious of the need to open up another effective path to help the peasants move from their farmland to developing nonagricultural employment. Consequently, a great amount of the labor force has been held in the countryside under the system of basically separating the cities from the countryside in the last 30-odd years. It is exactly from this perspective that we have every reason to hold that in our rural areas the problem of employment is more important than that of agriculture. It is true that in the course of urban industrialization, the state has effected great returns to agriculture in terms of financial and material resources. However, if the enhancement of the degree of intensive agriculture cannot lead to a reduction in the consumption of the living labor per unit area of farmland, then the investment itself will lose its economic significance. As a matter of fact, it is precisely because of the supply of material and technical equipment to agriculture by modern industry that the peasants sense the economic pressure of the necessity for more labor force to leave the farmland.

However, the peasants had to look for nonagricultural job opportunities within the local areas under the original system of separating the cities from the countryside. It was impossible for the peasants to realize their wish under the condition of policy constraints and the comparatively heavy burden of deliveries to the state. After the 3d Plenary Session of the 11th CPC Central Committee, the economic system in the rural areas was successfully reformed and the purchase prices for agricultural and sideline products were raised significantly. Thus, the peasants have had the necessary political and economic conditions to put their idea into effect, and township and town enterprises have the possibility of developing themselves vigorously..

Under the system of separating the cities from the countryside, developing township and town enterprises is no doubt the only way to lower the proportion of the agricultural labor force. Up to the end of 1984, the agricultural labor force employed in township and town enterprises amounted to 52.06 million people, constituting about 14 percent of the total labor force in the countryside (see NONGMIN RIBAO, 3 May 1985); of this figure, the number of people engaged in nonagricultural production reached 49.24 million, which was equal to 138.6 percent of the total number of staff and workers employed in the state-run industrial system in 1983. If calculated on the basis of the present practice that each rural laborer is responsible for the livelihood of 1.91 persons (see "The Chinese Statistical Almanac, 1984"), non-agricultural labor force employed in township and town enterprises are responsible for the livelihood of 94 million people; and this portion of the population no longer dependent on income from agriculture is equal to the total population growth in our cities and towns in the period of 1952 to 1976 (see "The Chinese Statistical Almanac, 1984"). Our urban population under the present household registration system plus this portion of non-agricultural population brought about by the development of township and town enterprises have enabled our actual nonagricultural population to constitute about 32 percent of the total population in our country. At the same time, because of the creation of this portion of nonagricultural population, the average amount of farmland used by each person of our rural population and by each rural laborer has statistically increased by 13.7 percent and 17.9 percent respectively. This has brought new hopes and prospects for our agriculture to expand its scope of operation and to enhance the degree of its intention.

From the development of township and town enterprises, we have found a specific road of development to reducing the proportion of the agricultural labor force, which is different from the road of development of other countries. That is, the agricultural labor force moving out from their farmland may develop its own way of expanding non-agricultural employment without resorting to entering the cities in great numbers. It is obvious that for a country such as ours in which the rural population is huge and the urban population needs to enjoy lots of financial subsidies from the state, the rise of township and town enterprises carries a significance greatly beyond the development of the rural areas themselves. It plays a role of direct promotion regarding the overall reform of our national economy and the realization of our objective of attaining a per capita GNP of \$800 by the end of this century.

## II

The vigorous development of township and town enterprises has demonstrated the strong desire of our extremely rich labor resources in the rural areas to not confine themselves to the 2 billion mu of farmland and in participating in the operation of the great system of our national economy. The course of realizing this desire will provide a strong motive force for changing the present setup governing industry and agriculture, the cities and the countryside, employment, and income distribution. Changing the status and functions of the 800 million rural population in our economic system is obviously in line with the state's economic target to be achieved by the end of the century. Therefore, the development of township and town enterprises is by no means a matter concerning the peasants only. The great momentum already demonstrated by township and town enterprises requires that their development should be incorporated into the overall planning of the national economy, and all-round consideration should be given to these developments in association with the changes in the setup of the national economy which have already taken place and will take place.

The greatest proportion in township and town enterprises is industry. In 1984, the total output value of industry in township and town enterprises reached 125.4 billion yuan, which was equal to the sum of the total industrial output values of enterprises owned by the whole people of the 14 provinces, municipalities, and autonomous regions (with the exception of Sichuan Province) in the three large regions of north, northwest, and southwest China in 1983; and the number of staff and workers employed in the industrial enterprises at the township and village levels amounted to 32,324,000 people, which was equal to 91 percent of the total staff and workers in China's industrial departments owned by the whole people in 1983. Obviously, such a grand scale of the "peasants" industrial ranks should have its proper place in the industrial system of our country.

The experiences and lessons of many developing countries prove that in the course of development from an agricultural state to an industrial state, the strategy in developing industry should satisfy multiple economic targets simultaneously, including the enhancement of the capacity of the industrial production, the supply of more and more posts for employment, and for formation of an increasingly rational system of income distribution. Otherwise, it is inevitable that society will tend to adopt the set pattern of a "dual economic structure." In backward countries, a relatively independent industrial system cannot be formed without setting up a series of large-scale modern industrial enterprises. However, the establishment of large, modern industrial enterprises often needs to use the existing fundamental facilities to the greatest extent and make use of the best talents in technology and management within the country; on the other hand, imported technologies and equipment have to be used. As a result, the development of this kind of enterprise is often confined to the cities or the existing industrial zones; at the same time, the great amount of investment needed is not in proportion to the jobs thus created. Therefore, it is possible that large modern industrial enterprises become important sources for accumulating capital and funds for industry and become a guiding force in enhancing the technological level of the entire industrial system within the country, but they do not excel in creating sufficient employment or in realizing the formation of a rational structure in terms of income distribution between

the cities and the rural areas and between different regions. Therefore, we should not treat industrialization simply as developing large-scale modern industrial enterprises.

In this sense, the strategy of the backward countries in developing industry should make the entire industrial system show a structure of orderly levels in terms of technology and scale, so that the development of industry can provide job opportunities which are compatible with the labor resources within the country, thereby realizing relative balance in the income distribution between the cities and rural areas and between different regions.

The development of our township and town enterprises has already made great contributions to the establishment of the low-technology and small-scale levels in the industrial system. At present, a certain requisite division of labor is urgently needed between these enterprises and the state-run industrial system in cities, so that excessive competition in low-technology level and low quality products can be avoided. Without this division of labor, it is impossible to fundamentally resolve the contradictions in competing for raw materials, energy resources, and the market between the township and town enterprises and the "large industries" in cities; without this division of labor, not only will the expansion of the space for developing these industries of townships and towns and the employment rate of the peasants in non-agricultural jobs be affected, but also our state-run industrial system in cities will continue to be hindered by low-technology level and low quality products, thus making it hard to raise the level of the industries. The above situation will lower the efficiency in using the fundamental urban facilities and will hamper the rational use of talented people in technology and management, leading to the lowering of the quality and functions of the entire industrial system.

In carrying out the requisite division of labor between these two industrial systems, the first thing to do is to stick these "two skins" together through the association of technology and economics, so that a complete domestic industrial system can be formed; second, it is necessary to have a rough estimate of the domestic and foreign market needs so that processing capacity of different technological levels can be adequately employed to satisfy the needs of different markets; third, different processing stages of the same product should be established so that various links in the product processing chain can be employed and completed in different technological levels. Thus, it is possible that the process of our industrialization can be integrated with the harmonious development of both the cities and rural areas and that various industrial enterprises of different scales and technological levels can complement each other, thereby enhancing to the greatest extent the production results of the industrial enterprises at every level.

In short, we should not underestimate the role of township and town enterprises which may possibly remain at the low-technology and small-scale level for a considerable period of time. Township and town enterprises make great contributions to the increase of the national income which is not to be slighted. What is more important is that they can create more employment and

help realize a relative balance in income distribution between the cities and rural areas and between different regions, and in this regard they play a more significant role than the state-run large industries. In China, if the development of township and town enterprises is hampered, the employment and income of the huge rural population will have to depend on agriculture alone, which will inevitably lead to a constant rise in the costs of agricultural products. In this case, if we do not wish to widen the gap in terms of income between the cities and the countryside, we either have to lower the level of the real income of the urban residents, or raise the state subsidies for agriculture, which would mean a return to the old burdensome economic pattern and would form a great obstacle to the structural reform and changes in our national economic system. Therefore, it is necessary to provide a space for township and town enterprises to develop. And it is imperative that the state-run large industrial system should strive to enhance the levels of their technology and the quality of their products so that their enhancement can ensure space for the continued development of township and town enterprises.

### III

Under the past stringent management system of the planned economy, township and town enterprises basically existed in a space outside the plans, and the process of the growth of these enterprises was a process of fighting for survival in the gaps of the plans. Since the implementation of the planned commodity economy, because of the lack of timely and sound laws and regulations that can protect the development of the commodity economy and the lack of experience in terms of the commodity economic activities on the part of the rural population who were confined to a self-sufficient or semi-self-sufficient economy for a long time, a certain blindness in action and confusion have inevitably existed in the course of the development of township and town enterprises. Overcoming these shortcomings is the prerequisite for the integration of township and town enterprises into the great system of the national economy and is also an important condition for maintaining the momentum of the healthy development of township and town enterprises. At present, the overall economic situation demands that the blind expansion of capital investment and consumption funds be put under control. This macroscopic situation provides an excellent opportunity for township and town enterprises to carry out a necessary and conscientious consolidation.

The consolidation of township and town enterprises comprises an aspect of the microscopic management level as well as aspects of the medium-sized and macroscopic management levels.

With regard to the microscopic level, township and town enterprises should seriously handle such problems as low quality of their products, lack of balance between production and sales, and confusion in respect to their financial management. According to the statistics and analysis of the relevant departments, with regard to the existing township and town enterprises in the five provinces of Jiangsu, Shandong, Henan, Shanxi, and Hunan, their finished products funds account for 42 percent of the entire rated capital.

and their accounts receivable account for about 36 percent of the entire floating capital. The large proportion of finished products in the rated capital and the large amount of accounts receivable in the floating capital may possibly be the comprehensive results of multiple factors, but the poor sales of products and the confusion in financial management in enterprises are no doubt two important factors among them. According to the estimates of the relevant departments, the finished products funds and the various kinds of funds receivable, which are excessively and poorly used by the enterprises at the township and village levels, amount to two-thirds of the total loans obtained by township and town enterprises in 1984. Under the condition that the state exercises strict control on the scale of credit facilities, if efforts are not exerted in raising the quality of products and organizing the production of the marketable items in line with the changes of the market so as to lower the proportion of the funds used by the finished products, and in actively retrieving the funds receivable, there will be a further lack of floating funds needed for the development of these enterprises. This will pose a grave problem for the normal production of the existing township and town enterprises.

With regard to the medium-sized and macroscopic levels, it is necessary to emphasize the perfection of the control system on township and town enterprises, so that this control system can ensure the observation of laws and regulations by the enterprises as well as promote the development of these enterprises. It was exposed recently that a small number of township and town enterprises, which were under the control of certain bad elements, wantonly produced and marketed bad quality or fake products. Of course, stringent measures must be taken to deal with these bad elements and illegal practices. However, we should clearly see that the emergence of these illegal practices has no essential connection with the development of township and town enterprises. What is important is that the existence of these illegal activities exposes defects and confusion in the control system of township and town enterprises. The perfection of the control system of township and town enterprises does not aim at cracking down on the few illegal elements alone. Its important task lies in training a large batch of township and town entrepreneurs who are well versed in following the rules of the commodity economy and who observe the ethics of socialism, which will ensure that the development of the towns will not deviate from the path of the socialist economy. The thriving development of township and town enterprises has made it become one of the important sources of financial revenue in many places. It is precisely because of this that two trends worthy of our attention have emerged in not a few township and town enterprise control departments. One trend is that large numbers of new development plans of township and town enterprises are recklessly approved or formulated irrespective of the practical capabilities and conditions locally. According to a survey conducted in the first half of this year in nine provinces and municipalities, there were 7,196 new items of township and town enterprises which started construction last year and whose construction continues this year, and there were 9,917 more construction items of township and town enterprises which start construction this year. For these two batches of projects, a total of 2.83 billion yuan of equipment and floating fund loans was needed,

which amounts to 57.8 percent of the total amount of investment for these items, and which is equivalent to 3.7 times the loan capacity of the agricultural banks and credit cooperatives in these nine provinces and municipalities planned for the support of the new projects of township and town enterprises. This blind encouragement and support of new projects of township and town enterprises will result in the dispersion of capital and funds, leading to the widening of the gap and the increase in the number of projects which are unable to carry out normal production or have to suspend construction halfway. This will increase the credit risk of the credit organizations, and will make the peasants sustain unexpected investment risks. The second trend is that some places, especially certain township and country governments, regard township and town enterprises as their own "backyard economy" and "small treasures" and demand contributions of money whenever possible. According to the statistics of the relevant departments, in 1984, 43.86 percent of the net profits of the enterprises at the township and village levels participating in distribution were handed over to the departments in charge, and the rate of net profits procured by the departments in charge was equal to 137.6 percent of the rate of net profits used by the enterprises in expanding reproduction, and was equivalent to 94.1 percent of the total amount of equipment loans of township and town enterprises. This practice of arbitrarily procuring the profits of township and town enterprises by the departments in charge not only weakens the accumulation capacity of township and town enterprises, thus increasing the pressure on credit funds demand, but also helps form various kinds of complicated relationships of vested interests, thus increasing the difficulty for the structural reform of the control system of the entire countryside.

Consolidation of township and town enterprises at the microscopic operation level and at the medium-sized and macroscopic management level is certain to lead to the contraction of a batch of enterprises with unsatisfactory product performance, bad management, and poor economic results, and to the selection of a batch of township and town enterprises worthy of active support and with bright prospects. It should be made clear that without this necessary contraction and further understanding of the orientation for development, no substantial results can be achieved regarding the consolidation of township and town enterprises. Therefore, the consolidation of township and town enterprises should be in association with the contraction and development of these enterprises. At present, the development of township and town enterprises not only involves the problem of insufficient funds, but also involves the supply of requisite materials even if the existing funds are used effectively. According to a survey conducted by Huangpi County, Hubei Province, the amount of electrical power, coal, and steel that could be supplied to township and town enterprises in 1984 amounted only to 47.8 percent, 26 percent, and 12.3 percent of the quantities needed respectively by these enterprises. Similar conditions existed in various places. The tense situation in the supply of materials not only led to the rise of material prices, the rise of production costs of the enterprises, and the lowering of profits, but also led to poor use of capacity and the idling of production facilities. Therefore, it is necessary to give overall consideration to the aspects of "consolidation," "contraction," and "development" and make use of various kinds of economic levers, the lever of finance in particular, so that those enterprises that should be "contracted" are "contracted," and those enterprises that should be "developed" are continuously supported.

At present, it is also necessary to find ways to solve the problem of the shortage of funds in the development of township and town enterprises. In 1985, with regard to the newly increased credit facilities arranged by the state banks, only 2.8 percent was allotted to township and town enterprises, which is not much for township and town enterprises whose output value already accounts for 13.3 percent of the total social output value. However, one should never fail to see that there is potential for these enterprises to make use of their own funds. First is to do a good job in the sound distribution and rational use of the profits of the enterprises. In 1984, of the net profits of the enterprises at the township and village levels, only 32 percent was used for expanding reproduction, and the remaining portion was basically "either procured by the upper-level organs or distributed by the enterprises themselves." Thus, it can be seen that there is still considerable potential for transforming the profits of enterprises into production funds by means of more stringent financial controls and bank supervision. Second is that the system of depreciating the fixed assets of enterprises should be perfected and the depreciation funds be rationally used. Taking into account the net value of the fixed assets possessed by the enterprises at the township and village levels, if the depreciation funds of all the enterprises are calculated at the comprehensive depreciation rate of 8 percent, the depreciation funds obtained in 1 year will amount to about 60 percent of the total amount of the equipment loans for the existing township and town enterprises. If proper use of these funds can be made, significant sources of funds will be derived for the technological transformation and expansion of township and town enterprises. Third is to deal with the funds receivable, lower the proportion of finished products, and dispose of various kinds of overstocked materials. Even if one-third of the value of these three items can be obtained, it will equal an amount three to four times the increased loans granted to township and town enterprises by the state according to the plans in 1985. Fourth is to adequately control the speed of expanding the wage funds of township and town enterprises. According to statistics, the annual per capita wage income of the staff and workers of township and town enterprises in 1984 was 621 yuan, an increase of 14 percent over the previous year, which was equal to 72 percent of the average wage of the staff and workers in units under whole-people ownership in 1983 and was equivalent to 101 percent of the average wage of the staff and workers in units of the commercial and service trades under collective ownership in cities and towns. According to the estimates of the relevant departments, the total amount of wages of the staff and workers in the enterprises at the township and village levels in 1985 will increase by 25 percent or so over the previous year, which means the annual wage income of their staff is expected to reach about 700 yuan. If about 10 percent of this amount can be raised by means of borrowing or deposits, which will not seriously affect the livelihood of the staff and workers, a total of 2 to 3 billion yuan can be raised for the use by the township and town enterprises. From the perspective of the overall situation of reforming the economic system, the appropriate control of the increase of funds of township and town enterprises will help realize the expectations of urban staff and workers in getting some wage increases in the near future, thus further lowering the friction coefficient in the current urban reforms.

With the macroscopic background of more stringent control over credit facilities by the state, the capital and funds needed in developing township and town enterprises should be derived from their own accumulation. However, tapping the potential of accumulation of these enterprises is only one side of the coin. Another side of significance, which receives insufficient attention in our financial work, is the flow and circulation of capital and funds in accordance with the characteristics and rules of the capital movement of township and town enterprises. In 1984, the output value of the secondary and tertiary industries accounted for 96.9 percent of the total output value of township and town enterprises. This shows that the capital movement of township and town enterprises does not in effect possess the characteristics and rules of the capital movement of agriculture. Consequently, when the capital and funds of township and town enterprises and the capital and funds of agriculture are arbitrarily mixed together and controlled by the same financial organization, it often either affects the development of the township and town enterprises, or brings about undesirable effects to the development of agriculture within a certain period of time. Although the agricultural bank now exercises separate control over the credit funds for township and town enterprises, its primary purpose is nevertheless to strictly control the scale of credit and loans to these enterprises and not to take full consideration of the peculiarities of the capital movement of these enterprises. Hence, it can hardly play the role of associating the capital movements of township and town enterprises with secondary and tertiary industries of the entire society. Because of the characteristics of their internal structure, the capital movement of township and town enterprises tends to approach the characteristics of the capital movement of industry and commerce. In view of the considerable scale of the development of township and town enterprises, we should consider the possibility of separating the control of credit and loans for these enterprises from control by the agricultural banks, and establishing specialized banks for township enterprises or banks for small enterprises. We should at least give considerable autonomy to those departments responsible for granting loans to township and town enterprises, and attention should be paid to the channeling of information to the specialized banks which are responsible for managing the capital construction and floating capital of industry and commerce. Only thus can the orientation of investment, production, and deployment of industry and commerce depart from the old pattern of separating the cities from the rural areas, thereby enabling township and town enterprises to truly join in the great system of our national economy.

The development of township and town enterprises makes people further understand the association and difference of the three concepts--the rural areas, agriculture, and the peasants. China's characteristics and the path of development already covered do not make the concept of the rural areas simply synonymous with agriculture gradually, but make agriculture only one industry in the rural areas. Hence arises the problem of the choice of different posts of employment in the rural areas by the peasants. Obviously, the concept of "peasants" in the traditional sense can no longer comprehensively describe the characteristics of the rural population in China. This is precisely the result brought about by the great changes in terms of the

development of township and town enterprises and in the economic structure of the rural areas. It is currently changing the traditional pattern of our country in income distribution, thus also changing the traditional pattern of the cities and rural areas in our country. It is not hard to imagine that the further development of township and town enterprises will vigorously activate changes in the pattern of the entire national economy, which will develop more smoothly toward the economic targets to be achieved by our nation by the end of this century.

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CSO: 4006/414

## NATIONAL POLICY AND ISSUES

### SHANGHAI CUSTOMS OFFICIALS PUNISHED FOR ECONOMIC CRIMES

Beijing RENMIN RIBAO in Chinese 9 Sep 85 p 1

[Report by Zhang Shihong [4545 0013 7703]: "Obsessed with Desire for Gains, Certain Cadres at the Shanghai Customs and Putuo District Public Security Branch Bureau Protect Their Own Criminal Conduct by Taking Advantage of Their Office and Power But Are Subject to Investigation and Punishment"]

[Text] Shanghai Municipality recently exposed an illegal and discipline-violating group which waved the sign of "Huayi Comprehensive Trading Center." This so-called "trading center" was run by certain cadres of the Shanghai Customs and the Putuo District public security branch of Shanghai Municipality. This was an especially big economic case that occurred recently in Shanghai. The Shanghai municipal party committee has already charged the municipal discipline inspection commission and judicial organs with responsibility for conducting a thorough investigation of the case. Six criminal elements have been arrested according to law.

This so-called "trading center" had the former deputy head of the smuggling investigation division of the customs, Chen Kunxing [7115 0981 5281], as its vice chairman of the board, and order and security section chief Pan Jialin [3382 0857 7792], of the public security branch bureau, as its general manager. It also placed an unemployed swindler, Wang Hengming [3769 0077 6900], in the important position of deputy manager and concurrently service department director. They let it be known that "Huayi" was jointly run by the Shanghai public security bureau and customs and that it could do business in anything. They transported from Guangzhou a large number of obscene and dirty video cassette recordings which they not only showed and watched themselves but also sold at a high price. At the end of last year, they resold a contingent of illegally bought imported motorcycles to Guangzhou and demanded a large "reward." They also illegally imported color television sets from Guangzhou to resell in Shanghai. Using the method of advance payment, they swindled large sums of money from 17 customers within and outside of the municipality as their "capital" and caused serious economic losses to their customers.

The seriousness of this case also lies in their protecting their own criminal conduct by taking advantage of the power in their very hands and even employing draconian measures. In August last year, they bought a shipment of

audio cassette recorders; when these were seized by people's police, they showed them a false inspection badge indicating that they had come from Shanghai to Guangzhou to handle some cases and thus succeeded in passing through. They illegally used more than 100,000 yuan in advance payments by a customer in Guizhou and, after thus causing a business dispute, even called into service a police vehicle and issued a subpoena to drag the purchasing agent of the other side into their public security station and put him on trial, falsely accusing him of "swindling public funds"; this had dire political consequences.

It has been learned that Wang Hengming is a swindler who has been taken in and let out of public security organs six times; in April alone he singlehandedly profiteered several tens of thousands of yuan.

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CSO: 4006/967

## PROVINCIAL AFFAIRS

### SHAANXI TO LAUNCH MAJOR INSPECTION OF TAX REVENUE

Xi'an SHAANXI RIBAO in Chinese 25 Aug 85 p 1

[Article: "Provincial Government Decides To Launch Major Inspection of Tax Revenue"]

[Text] The meeting of its standing committee, convened by the provincial government on 24 August, heard a summary report by the provincial tax bureau on tax work in Shaanxi and, furthermore, decided to launch immediately a major province-wide inspection of tax revenue.

This year, Shaanxi Province has already fulfilled 77.4 percent of the annual tax revenue plan, with an increase of 27.32 percent over the revenue in the corresponding period last year. The amounts were larger and the speed of turning the money over to the treasury was faster than ever before. However, checks undertaken by all units province-wide for the past half year, and recent spot checks of tax revenue carried out by the provincial tax bureau in Qindu Prefecture of Xianyang City and in Qianxian County have revealed serious incidences of tax fraud and tax evasion.

To fully reassert the role of tax revenue in macroeconomic management and to ensure fulfillment of this year's tax revenue task, the provincial government decided to have the governments at all levels immediately launch a major and comprehensive tax investigation, based upon self-checks and mutual checks by all taxing units, with a work force of capable cadres drawn from the finance, tax, industry and commerce control, audit, banking, public security and judicial departments. The checks shall mainly focus on tax fraud and tax evasion since 1984, but may investigate cases of the 1983 period. The main emphasis of the present inspection shall be on certain units that are large sources of tax revenue, beset with many problems and serious cases of tax fraud or tax evasion. At the same time, all those cases should be resolutely rectified where tax collecting powers have been exceeded and where units established their own laws and regulations, allowing tax reductions and exemptions. Problems that are ferretted out shall be dealt with according to the guidelines of the current state tax laws, checking taxpayer by taxpayer and getting to the roots of the cases taxpayer by taxpayer. As soon as a case has been established, restitution must be made immediately, without the slightest leniency or procrastination. From now on, we must improve the taxpayers' knowledge of tax laws such that they will conscientiously implement

tax policies and fulfill their tax obligations according to law. Enterprises that commit tax fraud or tax evasion cannot be assessed as "advanced enterprises," and their factory directors cannot be assessed as "model factory directors."

The standing committee of the provincial government pointed out that grassroots tax cadres have to endure many hardships in resolutely organizing tax work. The governments at all levels must actively support them, must show solicitude toward their livelihood and spur them on to work ceaselessly and unremittingly, to exert greater efforts and make even greater contributions.

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PROVINCIAL AFFAIRS

SICHUAN SEES FAVORABLE RESULTS, JANUARY-JULY

Changdu SICHUAN RIBAO in Chinese 28 Aug 85 p 1

[Report by Zhou Shaokun [0719 4801 0981]: "Production Stabilizing in a Sustained Way and Developing in a Coordinated Manner, Results Outpace Growth in Output Value: Province's Industrial and Communications Production from January to July Has Been Surprising"]

[Text] Sichuan's industries and communications have been developing in a sustained and steady manner this year, and the increase in results has been higher than that in output value.

The province's gross industrial output value from January to July grew by 21.7 percent over the corresponding period last year; of the revenues from the local industrial sales and realized interest within the budget have both increased by more than 22 percent over the corresponding period last year.

The main characteristics of Sichuan's industrial and communications production during the first 7 months of this year are as follows:

1. Production has continued to enjoy stability and develop in a coordinated manner. Among the province's 20 prefectures, cities and autonomous prefectures, the output value of 17 of them has increased by more than 10 percent over the corresponding period last year. Of the 24 responsible divisions, bureaus and companies evaluated by the provincial government, 22 expanded production over last year.

2. Light industrial and textile products urgently needed in the market have been developing rather rapidly. The output value of Sichuan's light and textile industries during the first 7 months this year increased by 19.9 percent over that of the corresponding period last year; of these industries, high-grade, durable consumer products for family use such as electric appliances, and canned foodstuffs, beverages, liquor, tobacco, etc., all grew significantly, spurring the development of trades such as glass, printing, papermaking, packing, and the like.

3. Heavy industries such as machine building, steel, and weaponry have been actively developing marketable small-size products and readjusting their product mix; production has maintained a reasonable pace of development.

4. Energy resources production has been rising across the board; communications and transportation operations have been fulfilled beyond plan requirements. Coal production has already fulfilled 70 percent of the year's plan; and despite a lack of new generators being put into production, electric power has still shown an increase of 8.6 percent in supply over the corresponding period last year. Railway and highway freight transportation volumes have likewise increased over the corresponding period ast year.

5. The development of collective industries has been higher than that of state-owned industries, while development of the processing industries has been higher than that of raw and processed materials industries.

Not a few problems, however, have also surfaced in the production of our industrial and transportation system during the first 7 months; these are mainly manifested in the following: fulfilment of some predetermined economic targets has been inadequate, especially in the losses, costs, and allocation of expenses for finished products which all exceeded those of the corresponding period last year; shortages of raw and processed materials; and the frequency of accidents. In the course of production during the last 5 months this year, we must make a point to solve these problems so as to enable Sichuan's industries and communications to develop healthily.

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## PROVINCIAL AFFAIRS

### ANALYSIS OF SICHUAN'S DAILY-USE ITEMS DURING PEAK PERIOD

Chengdu SICHUAN RIBAO in Chinese 6 Sep 85 p 2

[Article by Luo Yan [5012 3601]: "Analysis of Purchase and Marketing Conditions of Manufactured Goods for Daily Use in the Market of Sichuan Province During Peak Season"]

[Text] The recent conference of managers of department stores and certain wholesale units from all prefectures, municipalities and autonomous prefectures of Sichuan Province analyzed and studied Sichuan's market trends during the peak period of the second half of this year. All agreed that according to the current market trend of purchases and sales, there will be an increase in the supply of manufactured goods for daily use in Sichuan during the later half of the year, there will be a continued trend toward a stabilization in consumption patterns, a fairly concentrated flow of money into circulation, there will be more selectiveness than in the past, the whole spectrum of goods will register brisk sales, and goods in great demand and tight supply will remain in great demand and tight supply. The commercial departments at all levels must, therefore, energetically make arrangements to supply the market with marketable goods.

From the start of this year, the market for manufactured goods for daily use is livelier than ever, both purchasing and marketing are brisk, and beneficial results have conspicuously increased. Comparing the semiannual situation this year with that of the same period last year, the purchases by the department store system of the province this year increased 12.6 percent (imports from other provinces increased 35.1 percent), sales increased 21.5 percent, and profits increased 200 percent. The marketing area for manufactured goods for daily use throughout the province was much broadened during the first half-year. The assortment of goods in great demand was greatly increased, and the situation of the commercial departments changed from one of mutually pursuing sales to one of eagerly asking for more goods; there was little difference between slack periods and peak periods, as slack periods were not slack and in peak periods sales peaked even more. Sales in January, amounting to 420 million yuan, set a monthly record. Still in April, sales were 31 percent above those in the same month of last year. Consumption in the cities is gradually turning to items of comfort and of a developmental character; the demand is for high-quality goods, famous brands and newly created and upgraded articles. The demand for manufactured goods for daily use in the rural areas

is increasing almost daily. In their purchases of manufactured goods for daily use, a portion of the affluent peasantry shows a trend toward urbanization.

It is estimated that the purchasing power of the urban and rural areas of our province in the second half of this year will exceed the level of the first half, and there will also be a more concentrated flow of currency into circulation. However, since the state will tighten the currency supply, control the issue of consumption funds and strengthen market control, there will be fewer of the abnormal features in economic activities, a gradual relaxation in the keyed-up consumption mentality of the masses will set in, and the market for manufactured goods for daily use will return to a normal and stable development. The special characteristics of this will be:

1. An increase in the sources of products in the light and textile industries in the second half-year and a possible narrowing of the disparity between supply and demand. The sources of supplies, considering their total volume throughout the province, can basically guarantee filling all needs, but certain major items will continue in short supply, and some will even be unavailable. Since there will be no more tasks to support the poor by credit sales, marketing of textiles may suffer certain detrimental effects, but knitwear sales will steadily rise.
2. The masses show great selectiveness in making their purchases of goods. At the end of June, surplus funds in savings in all the urban and rural areas of the province together amounted to 8 billion yuan, an increase of 21.2 percent over the amount at the beginning of the year. The rush to make cash purchases by the masses begins to turn into depositing savings and selective buying. Among the articles for daily use in the department stores, watches and sewing machines still have a certain market in the rural areas, and the trend of purchases is to either select famous brand articles or cheap goods. Sales of cameras have slowed; consumers currently prefer medium and lower grade domestic brands and imported 135-mm cameras.
3. In the second half of this year, several holidays, National Day, New Year and Spring Festival, occur one after the other, and the fourth quarter will therefore see a high tide of purchases. The peasants receive their income from the sale of their agricultural and sideline products mainly in the latter half of the year, and their purchases of manufactured goods for daily use will be concentrated at the end of the year. The special characteristics of the consumption structure in urban and rural areas is that it is multi-tiered and that the flow of money will be directed more and more toward famous brands, local specialties, high-quality goods and new products.

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## PROVINCIAL AFFAIRS

### PORt OBSTRUCTIONS TACKLED BY MINISTRY

Beijing RENMIN RIBAO in Chinese 6 Sep 85 p 2

[Article by ZHONGGUO JIAOTONG BAO reporter Li Kefu [2621 0344 1133]: "Communications Ministry Leaders Going to Dalian, Tianjin and Other Ports To Handle Official Business on the Spot; Strive To Quickly Lower the Number of Vessels Kept at Anchorage"]

[Text] Under the leadership of the State Council ports office, the Communications Ministry has organized four work teams; these teams, led by four ministers including Qian Yongchang [6929 3057 2490] and others, on 5 September went to Dalian, Tianjin and two other ports to handle official business on the spot so as to further alleviate the problem of vessels being kept back.

Since May this year, the problem of vessels being kept back at various ports has been rather serious. After several months of earnest struggle, the problem has been preliminarily solved. But since arriving vessels have tended to converge, the problem has once again become increasingly serious. At present, vessels staying at their anchorage each day exceed 500. In order to alleviate this tense situation, the party committee of the Communications Ministry has decided to tackle this problem as one of its central tasks and has organized four work teams to be led by Minister Qian Yongchang, Vice Ministers Zheng Guangdi [6774 0342 6611], Lin Zuyi [2651 4371 0044], and Huang Zhendong [7806 6966 2639], with participation by comrades from the State Council ports office, the State Economic Commission, and the Railway Ministry, to go respectively to Dalian, Tianjin, Shanghai and Huangfu Harbor. On the afternoon of the 4th, the work teams convened a meeting; Comrade Qian Yongchang asked the work teams to strive to secure the support of leaders of the local municipal governments as well as coordination in various aspects; in the case of problems that can be solved in the near term, decisive measures should be taken once they are perceived so as to do their best to reduce the number of vessels being kept back. While striving to achieve near-term results, the work teams must conduct penetrating investigation and study on this problem and propose methods for its solution. Minister Qian Yongchang said: Although the various ports have already made considerable efforts in this regard, we must still adopt certain necessary and feasible measures to improve our management, further tap our potential, improve efficiency, and thus alleviate this problem.

PROVINCIAL AFFAIRS

BRIEFS

SAVINGS OBJECTIVES FULFILLED IN JIANGSU--As of 24 August, the sum of savings deposits in cities and towns throughout Jiangsu reached more than 4.3 billion yuan. Thus targets assigned by the head office were overfulfilled 4 months ahead of time and a new all-time level was again attained, thereby significantly mitigating the contradiction between supply and demand with respect to credit funds. [Text] [Nanjing XINHUA RIBAO in Chinese 25 Aug 85 p 1] 9255

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ECONOMIC MANAGEMENT

3,000 LARGE, MEDIUM-SIZED ENTERPRISES HAVE YOUNGER LEADERS

Beijing RENMIN RIBAO in Chinese 12 Sep 85 p 1

[Article by Song Shiqi [1345 0013 3823] and Wu Xuelin [0702 1331 2651]: "The Newly Adjusted Leadership Groups in Key Enterprises Are Young and Knowledgeable; Accelerated Reform of the Organizational System in 3,000 Large and Medium-Sized Enterprises Throughout the Country Has Been Organizationally Assured"]

[Text] We heard from departments concerned that the second readjustment of the leadership groups, which had begun early last year, was basically completed by the end of June in 3,000 large and medium-sized key enterprises throughout the country. The most conspicuous changes brought about by the readjustment in the leadership groups are: First, they are composed of younger persons, and second, their members are becoming more knowledgeable.

In the newly adjusted leadership groups of large and medium-sized key enterprises the ages have become staggered like a ladder, with cadres in their forties forming the main group. According to the statistics for 2,900 of these enterprises, 20 percent of their cadres, numbering 18,000, were 40 or younger, 63 percent were 41 to 50 years old, and the average age was 45. Those with university or college education accounted for 74 percent of the leading group members. Among factory directors, those with university and college education accounted for 89 percent, an increase of 40 percent over conditions before the readjustment. Among party secretaries, those with university and college education accounted for 81 percent, an increase of 70 percent over conditions before the readjustment. When selecting leading cadres for important positions, preference is also given to those who through arduous self-study have mastered the scientific knowledge required on their jobs and who show managerial capabilities. Most of the new leaders have been tempered for many years in their respective enterprises, have abundant practical experiences and have outstanding achievements to their credit. The political quality of the young cadres who have been newly selected to join leading groups is generally very good. Having undergone very strict examination and having had opinions expressed about them by various quarters and on a wide scale, these persons have a solid base in the masses, and the large majority of these comrades also make high demands on themselves.

The newly readjusted leading groups base their work on the foundation laid by the leading groups before them, while they themselves eagerly embark on reforms and on new developments with an abundance of initiative.

The 3,000 large and medium-sized key enterprises play a decisive role in the national economy. The smooth readjustment of their leading groups that was recently carried out provides an initial organizational guarantee for increased vigor in our large and medium-sized enterprises and for an acceleration of the reform in our economic structure.

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ECONOMIC MANAGEMENT

PRC JOURNAL ON STATUS OF FACTORY CHIEFS

HK290829 Beijing JINGJI GUANLI in Chinese No. 10, 5 Oct 85 pp 26-28

[Article by Gao Hongde [7559 1347 1795] and Feng Subao [7458 5685 1405]: "An investigation into the role of factory directors of enterprises under the system of ownership by the whole people"--edited by Xu Xiaojiu [1776 1420 3773]]

[Text] What is the role of the factory chief in a whole-people-owned enterprise? This requires not only discussion from a theoretical standpoint but the possession of a large amount of practical experience. To find out what factory chiefs themselves think, we recently interviewed chiefs (or managers) from over 20 enterprises, including the Yuchuan No. 1 Cotton Factory in Chengdu, the Chengdu Engineering Machinery Factory, the Meishan Vehicle Works, the Chengdu Measuring and Cutting Tools Plant, the Chengdu No. 3 Wireless Factory, the Chengdu Rolling Stock Plant, and the Chengdu Papermill Company. The results of these interviews were that according to their own understanding, 70 percent of them considered that they represented the factory; 5 percent considered themselves representatives of the state; and 25 percent were of the opinion that they represented both the state and the factory. But the opinions of this last 25 percent were not entirely consistent. Some considered that they should represent the enterprise, but that present conditions did not permit this; some believed that from the point of view of the current situation, they were representatives of both, but that developments should turn them into purely enterprise representatives; and some considered that they should indeed be representatives of both factory and state.

During the discussion, the majority of the factory chiefs put forward the opinion that their representing the enterprise was in line with the spirit of the 3d Plenary Session of the 11th CPC Central Committee, the direction of the reform and the actual status of a factory chief; that it was beneficial to the freedom of the factory chief, to the proper running of the enterprise, the proper handling of relations between state and enterprise, and the exploitation of the initiative of staff and workers.

Some factory chiefs said that in order to find out what a factory director represented, it was necessary to see whether he genuinely wanted to enliven the enterprise or not. Since the 3d Plenary Session of the 11th CPC Central

Committee, the central government has been putting great efforts into the reform, and has consistently adopted measures aimed at enlivening enterprises. Making the factory chief the representative of an enterprise should be said to be an inevitable trend in that reform.

Some factory chiefs said that if the chief "represented the factory," then that factory would have more vitality. For a long time now, whole-people-owned enterprise management could not compare with that of collective enterprises. But in terms of the quality of personnel, the capability of the equipment, and the quality of products, the former were often stronger than the latter. But whole-people-owned enterprises had been tied hand and foot. If whole-people-owned enterprises had the collective enterprises' level of independent management, and responsibility for profits and losses, the factory chief would work as a representative of that factory, everyone would work under a common policy, start the race from the same starting-line, and be measured with the same yardstick, and in this situation whole-people-owned enterprises would not be inferior to collectives. Only by competing under these conditions could the standard of the factory chief be seen.

Some factory chiefs said that allowing the factory chief to represent the enterprise would cut the umbilical cord between enterprise and state. Only in the absence of something to rely on would the enterprise be able to put its efforts into good management. At present, some factory chiefs in whole-people-owned enterprises have a dependent attitude; they rely on the state for everything, and shift all problems onto the back of the nation. If the factory chief lost this object of dependency, he would have no choice but to rely on the staff and workers, everyone would work hard together, go through good and bad together, and fight together for survival and development.

Some factory chiefs said that the faith of the workers in the factory chief depended mainly on whether he was a good manager or a popular person, not on whether he represented the state or not. It had always been the case that the factory chief worried not about complaints from the masses, but criticism from the higher authorities. Now what he worries about most is that the masses will not be enthusiastic in their work.

Some factory chiefs said: If I represent the state, whom should I represent? The tax bureau? The banks? Or all the levels of government? What kind of representatives should we be?

Some factory chiefs said: We carry out state policies, abide by state laws, and fulfill state tasks; that means that we represent the state.

Some factory chiefs said: If I am required to represent the state, then some of the problems I face in management should be solved by the state. But at present, the situation is that if a problem comes up in the enterprise, nobody wants to take care of it, and I don't have the power to solve it. All I know is that if I don't think about the interests of the

whole factory's staff and workers, I will lose my job. If we are state representatives, how is it that we cannot solve any problems?

Some factory chiefs said: If the factory chief represents the enterprise, manages it independently, and pays its taxes to the state, then the relationship is simple and clear; the state passes laws and levies taxes from the enterprise, and the enterprise obeys the laws and pays its taxes. It's best not to mix in political relations, and give the factory chief's position a political quality. A factory is an independent economic organization, not an organ which blindly enforces administrative orders from above. The factory chief should be put in an environment which enables him to carry out pioneering work independently; he should not be controlled by the hands of the higher authorities.

Some factory chiefs said: It is right to stress the political quality of a factory chief, but you cannot ensure the correct handling of the relationships between state, enterprise, and individual simply by relying on the spiritual qualities of the factory chief. The correct handling of these relationships must be set out clearly in the law and the system.

Some factory chiefs said: The relationship between the state and the enterprise is like the relationship between the factory and the workshops within it which contract for work. You cannot just talk in a general way about the workshop chief representing the workshop; you have to state clearly that the relations between the factory and the workshop are relations of rights and duties, of settling and recognizing accounts; after the factory's laws and accounts have been established, the workshop chief signs a contract with the factory as that workshop's representative. When the contract is carried out, this is done on the basis of responsibilities, rights and interests, not on the basis of the "good conscience" of the workshop chief.

Some factory chiefs said: What exactly is the meaning of "protecting the state's interests?" Giving more taxes to the state is not the only yardstick. If the enterprise achieves some development, that's also protecting the state's interests. If a factory chief works for the expansion of the factory, that can't be seen as representing the interests of only a number of people.

Some factory chiefs said: It cannot be said that if a factory hands out more rewards, it is not protecting the interests of the state. Reasons for more rewards being issued should be sought from many angles. The majority of factory chiefs do not want to squeeze every penny they can out of an enterprise, they want to maintain and develop normal production, and enliven the enterprise.

Summing up the above, it is our opinion that the majority of factory chiefs are clear or basically clear in their understanding of their role. Of course, they are by no means all unanimous in their views.

During the survey we discovered that in the discussion of their roles, some factory chiefs showed the following characteristics: First, in public discussion, they stressed representing the state, but in private discussion they put more emphasis on representing the enterprise; second, when they first touched on this issue, they directly said they represented the state, but after detailed analysis they recognized that they represented the enterprise; and third, when they issued tasks to workers and did ideological work, they represented the state, and when they engaged in activities with those outside the enterprise they represented the enterprise. We feel that this reflects both the complexity of the production relations issues touched on by the question of the factory chief's role, and the fact that factory chiefs still have some misgivings on the issue.

1. They are worried that they, as chiefs of whole-people-owned enterprises, will be seen by state cadres as enterprise cadres. One factory chief said: "It is no good if a factory chief is elected entirely by the workforce; what happens if they dismiss one from office one day, another the next?" "A factory chief is a state cadre, a party cadre. He is entrusted by the state to run the factory."
2. They fear that if they state categorically that they represent the enterprise, they will be labelled as departmentalists by others. Some factory chiefs were particularly wary of this in a situation where they were fighting against new bad trends.
3. They were worried that if they did not say that they as factory chiefs represented the state, they would lack the necessary strong backing when talking to staff and workers. Some factory chiefs said: When I delegate work to staff and workers, I always say it's a state task, and must be fulfilled. That way I can get the work done properly.

However, some factory chiefs were also worried that once they came fully to represent the enterprise, their burden would become too heavy to handle. Some said: "What I am afraid of is not representing the state, but just representing the enterprise." As a representative of the state, if I do things badly I can lie on the back of the state. If I only represent the enterprise, life will not be so easy. I have to take into consideration what gets handed over to the state, what is issued to the staff and workers, what is retained by the enterprise for expansion... if a problem crops up in any of those spheres, I am in trouble."

In our opinion, if the factory chief represents only the factory, and has a single identity, this signifies a further separation between the enterprise and the state's administrative organs. This is a highly significant step, and a difficult one. In association with this step, there must be a further deepening of reforms in China's cadre system, workers' congress system, and a whole series of state systems for regulating, directing, and supervising enterprises. Conditions must be created for this stage of the reform in the spheres of ideology, policy, and concrete measures.

Looking at the current situation, the main issues affecting this reform are as follows:

First, the majority of enterprises have still not obtained the autonomy they should have. Some of the autonomy which the central government has decreed should be given to enterprises continues to be retained by urban administrative departments at various levels. In the current fight against new unhealthy tendencies, some of the autonomy already agreed to be given to enterprises has been taken back wholesale, inhibiting the initiative of these enterprises. Due to the fact that rights and interests have not been given to them, factory chiefs generally do not realize the necessity for them to represent enterprises. In our opinion, if this autonomy is not given to enterprises, factory chiefs cannot be established as representatives of those enterprises. Therefore, the giving of management autonomy to enterprises constitutes the basis of establishing the role of factory chiefs. Naturally, at the same time it is also necessary to strengthen the supervisory function of taxation, banking, and auditing department over enterprises.

Second, the factory chief responsibility system has not yet been wholly popularized. Though some enterprises have partially adopted factory chief responsibility system methods, this has been done under the leadership of the party committee, and the factory chiefs have therefore not yet become fully aware of the significance of representing the factory and all of its staff and workers. As long as there is no clear division between party and state, it is difficult to make a genuine transition to a situation in which the factory chief represents the staff and workers, and is responsible as such to the state for the management of the enterprise.

Third, another prerequisite for the establishment of the factory chief as representative of the enterprises is the strengthening of democratic management on the part of staff and workers, and the clear definition of the rights, responsibilities, and status of the staff and workers in the enterprise. After the introduction of the factory chief responsibility system some factory chiefs continue to see the workers' congress as a rubber stamp organ; they are unable to handle properly the relations between master and public servant, and are therefore unable genuinely to carry out the reform of factory chief becoming the representative of the enterprise. We feel that in order to carry out this reform in a relatively stable manner, the status of staff and workers as masters of the enterprise should be stated clearly in regulations; their rights should be clarified, and supervision by staff and workers over the factory chief should be strengthened.

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ECONOMIC MANAGEMENT

PRC JOURNAL ON ENTERPRISE LEADERSHIP SYSTEM REFORM

HK290002 Beijing JINGJI GUANLI in Chinese No. 10, 5 Oct 85 pp 22-25

[Article by Ji Zhong [4764 0022]: "Who Should Exercise Decision-making Powers in State-owned Enterprises?--A discussion of reform of the leadership system in enterprises"--edited by Liu Qichang [0491 0366 2490]]

[Text] Who should exercise decision-making powers in enterprises owned by the whole people (hereafter referred to as state enterprises)? A relatively widespread view at present is that once a state enterprise has implemented the leader responsibility system, the leader is entrusted by the state to carry out unified leadership over that enterprise's production, management, and administration work, for which he or she is wholly responsible. Therefore, the decision-making powers in an enterprise should be exercised solely by the leader. In my opinion, this is an issue worthy of consideration.

Who should exercise the decision-making powers in state enterprises? This is both a theoretical problem and one which must be solved in practical work. It has a bearing on what kind of enterprise leadership system China will eventually establish. This article will discuss the issue from four aspects.

1. The question of who should exercise decision-making powers in state enterprises is a basic one which must be answered in the reform of the enterprise leadership system

The "decisions" of the 3d Plenary Session of the 11th CPC Central Committee not only set out the great program for the reform of China's economic system, but also clarified the direction in which the establishment and perfection of the leadership system in socialist enterprises with Chinese characteristics should go. It clearly pointed out that "strengthening the vitality of enterprises is the central link in the reform of the economic system." At the same time, it pointed out that based on this central link, it was necessary to establish the correct relationship between the state and the enterprises and between the enterprises and its staff and workers, and stated that this was an essential part and a basic demand of the reform of the economic system centered on the cities. Meanwhile, the

leadership system in socialist enterprises constitutes the linking point in relations between the state and the enterprise and the enterprise and its workers, and embodies both of these relationships. Therefore, the correct definition of a socialist enterprise leadership system, and the proper handling of the above two relationships, is an important issue with a bearing on the success or failure of the entire economic system reform.

An enterprise is not an abstract concept, but an entity participating in economic activity. It is not only a place in which social forces of production are created and exercise a direct role, but a direct manifestation of social relations of production, and a microcosm of the socioeconomic system. Meanwhile the enterprise's leadership system to a certain extent epitomizes certain interpersonal production relations, which includes mainly the question of who constitutes the principal figure, or subject, of an enterprise? Who controls the enterprise's means of production, and who makes the decisions about its production management?

In capitalist enterprises, the owner of the means of production (the independent capitalist, or the company's shareholders, etc), is the principal figure of the enterprise, and at the same time the person who controls the means of production and makes decisions about its production management. The laborers, on the other hand, are simply people hired by the owner, the "objects" of the enterprise. Therefore, the leadership system in a capitalist enterprise is bound to be manifested in the owner of the means of production dominating the production laborers. Though some capitalist enterprises, in order to try and ameliorate the class struggle, have adopted such methods as "worker investment" and "worker participation in management," none of this can change the position of workers as being dominated and exploited.

In socialist enterprises, due to the fact that the socialist system has basically eliminated the exploitation of man by man, the laboring people have become the masters of society and the means of production, and therefore the broad masses of staff and workers in an enterprise are both producers and managers, and must by the same token be the subject of that enterprise, in the position of master. However, it must also be realized that on the one hand, socialist enterprises are divided into whole-people-owned and collectively-owned enterprises; and on the other hand, there exist different management forms in different state enterprises. Therefore, the status and function of laborers can differ widely in different enterprises. In a collective enterprise worthy of the name, the staff and workers are both production workers and the owners of the means of production. Therefore, they are the subject of the enterprise, and at the same time the controllers of the means of production and the decision-makers in production management. There can be no debate on this point. In state enterprises, which constitute the dominant part of the socialist system of public ownership, there are however some differences in the situation. The means of production in a state enterprise is owned by the whole people, while the state as the representative of the people

exercises ownership rights over those means of production. The enterprise's staff and workers constitute a portion of the whole of the laboring people, and so stating from an overall point of view, they are the masters of that enterprise's means of production. But from the partial viewpoint of the enterprise, are they the subjects of the enterprise? How much power do they have to control its means of production? How much decisionmaking power do they have in its production management? On this issue, people's thinking is not entirely unified, while in practice, concrete measures adopted differ widely. All of this cannot but affect the establishment and implementation of an enterprise leadership system.

2. The multilevel nature of the substance of policy decisions in a state enterprise, and the variety of management dictate that the decision-making rights in such an enterprise cannot be exercised solely by the leader.

First, the substance of policy decisions in a state enterprise is multi-level in nature. On the basis of their importance to the whole of the national economy and to the enterprise itself, policy decisions can largely be separated into the following three levels: first, decisions which directly affect the national economy and the people's lives, and which have an important influence of the overall national economic situation; second, decisions which directly affect the future and fate of the enterprise, and which have an important influence on the existence and development of that enterprise; and third, decisions on daily production and management activities which have a direct effect on the normal development and economic efficiency of the enterprise's production.

Obviously, first-level decisions, that is, those strategic decisions concerning the long-term development of the enterprise, should be made by the state or the enterprise's leading organ which is entrusted by the state. For example, on questions such as the technological transformation of, or renewal of major products of some large-scale backbone enterprises, decisions may be put forward by the enterprise, but the decision-making power can only belong to the state. Again, important decisions on the construction of state enterprises, or on their starting, ceasing, or shifting production, can only be taken by the state or by the leading organ of the enterprise. Those policy decisions belonging to the second level, that is strategic enterprise management decisions, should also be made by a decision-making group headed by the factory head. For example, important questions concerning the existence and development of an enterprise and the personal interests of all its staff and workers, such as mid-term plans, annual plans, and technological transformation, must be discussed by the staff and workers, and a collective decision made, while some may also be submitted to the enterprise's leading organ which will carry them out after approving them. Third-level decisions, that is, those concerned with the daily production management activities of the enterprise, must naturally be taken by the factory chief. Whichever level of decision it is, as soon as it is decided, the power to carry it out must be exercised by the factory chief (or manager). From this we can

see that the view that after a "leader responsibility system" is introduced, generally speaking all decision-making rights are exercised by that leader, is not precise enough.

Second, there are many different forms of management in state enterprises. Generally speaking, there exist the following three forms: First, the state owns and directly manages the enterprise; we may call this "state-owned, state-run." At present, enterprises in the railway, post and telecommunications, defense, and civil airline sectors, all basically belong to this category. Second, the state owns, and entrusts the enterprise's leading organ with management: we may call this "state-owned, mass-managed." At present, there are a vast number of enterprises which have adopted this form of management. Third, the state owns, and contracts or hires out to individuals to manage: we may call this "state-owned, privately-managed." With the development of the reform of the economic system, there will be an appropriate increase in enterprises adopting this management form.

Clearly, the multifarious nature of management forms will inevitably lead to complexity in the sphere of enterprise decision-making powers. And this complexity is manifested mainly in policy decisions on important questions in "state-owned, mass-managed" enterprises. Because in any state enterprise, no matter which management form it adopts, decision-making powers concerning the day-to-day production of an enterprise will belong to the factory chief: this cannot be doubted. In "state-owned, state-run" enterprises, strategic policy decision should be made by the state: and in "state-owned, privately-managed" enterprises, all decision-making power over production and management is exercised by the contractor or tenant: This is not open to debate either. Therefore, the discussion below will concentrate on who should exercise decision-making powers in "state-owned, mass-managed" enterprises on important questions which affect the existence and development of the enterprise and the personal interests of its staff and workers.

It must be made clear that "state-run" [as published] and "mass-managed" refers to a situation in which, with no change in ownership, the state entrusts the enterprise to the whole of its staff and workers to run directly, and the whole of its staff and workers are responsible to the state. First, since it is entrusted to all the staff and workers, it is not entrusted solely to the individual who is the factory chief. In this sort of enterprise, the whole of the staff and workers, including the chief, constitute the enterprise's legal body, and should all take on its legal rights and duties. The factory chief can only be the legal representative. Second, since it is all the staff and workers who are responsible to the state, and not only the factory chief, then all of the staff and workers, including the factory chief, should be responsible to the state for the results of production and management. On the principle of mutual linkage between responsibilities, rights, and interests, the whole of the staff and workers (including the factory chief) should bear a common responsibility for the enterprise's production and management, and exercise common control over its means of production and common

decision-making powers over its production; they should enjoy in common those material benefits and spiritual incentives which are due to them. Since responsibilities and rights must be consistent with each other, the power to make decisions on important questions in such an enterprise cannot be exercised by the factory chief alone, but can only be exercised by the entire workforce.

3. The status of the workforce as the masters of a state enterprise dictates that they must enjoy decision-making rights over production management

The "decisions" of the 3d Plenary Session of the 11th CPC Central Committee pointed out that "the source of vitality in an enterprise lies in the initiative, wisdom and creativity of its mental and manual laborers;" "the urban economic system reform must involve a correct solution to the relationship between workforce and enterprise, such that staff and workers become genuine masters." This is a basic principle which must be followed in our discussion of the issue of decision-making powers in enterprises, and even in our reform of the leadership system. Under a socialist system, the staff and workers are the masters of both the state and the enterprise; in socialist enterprises, they are both producers and managers; they are the subjects of the enterprise. This basically establishes the position of staff and workers in a socialist enterprise as its masters.

One important manifestation of the position of staff and workers as masters of an enterprise is the fact that they should enjoy decision-making power over production and management decisions. Whether or not they have this decision-making power is an important indication of whether or not they are the masters of that enterprise.

But what paths should workers take, what methods should they use in which to participate in policy decisions on important questions? In state enterprises, participation should be through a workers' congress and through strengthening democratic management.

A workers' congress is an effective form of carrying out democratic management in an enterprise. Since in state enterprises the workers take collective responsibility for production and management, it follows that the workers' congress must inevitably become the organ of highest authority in the enterprise, and exercise decisionmaking powers on behalf of all the staff and workers. If it acts merely as an advisory organ to the leaders of an enterprise, or a supervisory organ over those leaders, or functions as an organ which approves decisions made by the factory chief, it cannot express the fact that its staff and workers are the subjects, and the legal body, of the enterprise, and will then in fact negate the position of the staff and workers as masters with decision-making powers.

Some comrades consider that workers' representatives come from specific working positions, and are not sufficiently familiar with the overall picture of the enterprise, making it very difficult for them to come to correct decisions about issues which affect the whole enterprise; other comrades are of the opinion that if production decisions are made by a workers' congress, this may influence efficiency, or even prevent the factory chief from exercising his powers of direction; yet other comrades, meanwhile, think that what a workers' congress would be most concerned about would be material interests, with no interest in the management of the whole factory. My personal opinion is that the above views are all worth studying. There are three pieces of reasoning I would put forward here: First, though each workers' representative will have a possibly incomplete understanding of the whole enterprise, since the representatives are drawn from the whole workforce, they form an organic whole which concentrates the opinions, demands, and wisdom of the entire workforce, and are entirely able to make correct policy decisions on the production and management of the enterprise. Second, the workers' congress only makes decisions on important questions concerning the existence and development of the enterprise and the personal interests of its staff and workers, and only meets once or twice a year, so this cannot possibly affect the guidance of the factory head over day-to-day production activities. Third, though a small number of worker representatives are concerned solely with material interests, they do not form the basis or main part of a workers' congress. With regard to this minority, as long as we thoroughly carry out the work of strengthening ideology and education, they will also begin consciously and conscientiously to shoulder the burden of decision-making.

In a state enterprise, whether staff and workers really participate in decision-making activities, or really enjoy the right to exercise decision-making powers, is an important criterion for whether they genuinely enjoy the status of masters. Of course, this is not the sole criterion; another is whether or not they have the right to elect and supervise leading personnel.

4. When carrying out the leader responsibility system, the principle of democratic centralism must be followed. A model of administration by specialists on the basis of democracy must be adopted.

The practice of many enterprises has not proved that the leadership responsibility system is relatively appropriate to China's situation, beneficial to the centralized and unified form of enterprises, beneficial to the timely and correct implementation of an enterprise's production decisions, and beneficial also to the modernization of enterprises. This should be confirmed. But, just as the "decisions" pointed out, "a modern enterprise must have centralized, unified leadership and guidance," and at the same time "it must also steadfastly guarantee that the staff and workers and their elected representatives participate in democratic management rights. Under socialist conditions, the rights of the leader in an enterprise are at one with the status of the laborers as its masters,

and in line also with the initiative and creativity of the laborers. This unity is an essential prerequisite for the laborers to correctly and effectively bring their initiative into play." In my opinion, if this unity is to be expressed in organization, there must be established in enterprises a leadership system which is both democratic and centralized. That is to say, there must be established, on the basis of democratic management, a leadership responsibility system, such that on important questions democratic decisions are made, and on questions of day-to-day production unified and highly centralized guidance is carried out.

Comrade Zhao Ziyang has also pointed out that at the same time as implementing the leader responsibility system, "it is necessary to adopt a series of effective measures to fully ensure that staff and workers participate in the democratic management of the enterprise, to perfect the workers' congress system, which will play its role in deciding on important policy issues, ensuring workers' rights, and so on, and will thereby fully embody the status of the working masses as masters. This is an important hallmark of our socialist enterprises, and one which cannot be ignored."

Once a leader responsibility system has been introduced, an enterprise must strengthen its centralized, unified guidance system, headed by the factory chief, but it must absolutely not let "all powers belong to the factory chief" including decision-making powers over important questions. Just as I have said before, only the daily production decision-making rights should go to the factory chief, while those important strategic management decisions which affect the national economy or the fate of the enterprise itself cannot be made solely by the chief. This is due not only to the fact that the production, management, and technology of a modern enterprise are highly complex, and as a factory chief one must believe in the masses, rely on the masses, and pool the wisdom of everyone. Basically, it is due to the fact that the status of the staff and workers as masters dictates that they must participate in the enterprise's important strategic decisions. Therefore, a leader responsibility system should, on the basis of a high degree of democratic centralism, thoroughly embody the demands of the principle of democratic centralism.

What is being discussed in connection with the leadership responsibility system is this: The questions of the status of the factory chief created by the different management forms in state enterprises, along with decision-making rights, deciding on the powers that an enterprise leader should have, and so on, in fact have a bearing on the question of what sort of model should be followed when China establishes a leadership system. Academics at home and abroad have made a number of different analyses of models of leadership systems in socialist enterprises. There are three relatively popular models: First, the highly centralized model, second, the democratic control model, and third, the specialist management model. Based on the spirit of the "decisions," I consider that the future model for a leadership system in China should be specialist management on the basis of democracy; that is, the state will entrust the enterprise

to its entire workforce to manage, the workforce will gain management rights over the usage of this portion of the means of production, will exercise decision-making rights on important issues, and the right to select that enterprise's leaders; this is the embodiment of socialist democracy in an enterprise. This sort of democracy by no means excludes the function of centralized and unified guidance on the part of specialists in the decision-making process. On the contrary, this sort of broad democracy in an enterprise establishes a solid mass basis for specialist management, ensures the feasibility and correctness of the specialists' policies, and ensures also the free running of the centralized, unified guidance. At the same time, due to the fact that those important strategic decisions with a bearing on the national economy and the people's lives must be examined and approved by the state, this system also ensures that the enterprise is subordinate to the unified guidance of state plans in the macroeconomic sphere. In my opinion this is a relatively ideal model which is able to deal correctly with the relationships between the state, enterprise, and worker.

Summing up the above, it is not difficult to see that decision-making powers touch on the question of what kind of leadership system model is to be set up in China. The view that no matter how big or small an enterprise is, no matter what importance each decision has, or whether or not it affects the national economy and the existence and development of the enterprise, all decision-making powers should be in the hands of the factory chief, is not scientific or appropriate enough. It has no theoretical or scientific basis, nor does it entirely suit the actual situation in China's enterprises. In my opinion, the correct answer to this question should be as follows: in accordance with the principles of seeking truth from facts and giving concrete answers to concrete problems, with the prerequisite of guaranteeing both the authority of the leader and the status of the laborers as masters, the decision-making rights over daily production and management activities in state enterprises should be exercised solely by the factory chief, while strategic decisions concerning enterprise management should be discussed and decided upon collectively, thereby carrying out democratic decision-making on the basis of democratic management. This is an important hallmark of socialist enterprises, and one which cannot be ignored.

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ECONOMIC MANAGEMENT

BRIEFS

ZHEJIANG ADJUSTS ECONOMIC STRATEGIES--Recently, the Zhejiang provincial bureau of township enterprises determined the guiding ideology for the development of township enterprises as follows: (1) to shift from mainly relying on loans to mainly relying on capital accumulated by the enterprises themselves; (2) to shift from emphasizing extensive growth of production to intensive growth; (3) to shift from emphasizing speed and on output value to comprehensively improving economic results and enforcing the combination of speed with results; (4) to shift emphasis from current concrete tasks to macroscopic guidance, sorting out the interrelationship between various aspects and emphasizing the development of techniques and talents. [Text] [Hefei ANHUI RIBAO in Chinese 27 Aug 85 p 1] 9255

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## FINANCE AND BANKING

### WAYS TO REVITALIZE ECONOMY WITHOUT EXPANDING CREDIT DISCUSSED

Beijing JINGJI RIBAO in Chinese 25 Oct 85 p 2

[Article by Liu Hongru [0491 7703 0320], vice president of People's Bank of China: "Revitalize Economy Without Expanding Credit"]

[Text] This year, as a result of the tightening of macroeconomic control by the bank, some places have shown signs of fund stringency. As a matter of fact, tightening control of funds by the bank has only kept a firm hold on the scale of loans and restricted the extension of loans not included in the plans and has not affected normal economic life. Take the loan operations in the preceding 9 months, for instance, by the end of September this year, the amount loaned showed an increase of 29.1 billion yuan as compared with the beginning of this year while the same period last year registered an increase of only 15 billion yuan. Some places may have experienced some stringency in funds while fund stringency is nonexistent in some other places and some places have more money than they can spend, thus here lies an issue of flexible allocation and transfer of funds.

To solve the contradiction between the demand and supply of funds, it is imperative to strengthen enterprise management, economize the use of funds and raise the effectiveness of fund utilization. Premier Zhao Ziyang pointed out at the party congress that in arranging for the Seventh 5-Year Plan, it is necessary to take issues into consideration in three areas: 1) the scale of investment in fixed assets must be put under strict control; 2) effective preparation must be made for revitalizing the economy hereafter and steps must be taken to create conditions and keep some momentum and bring up energy, transportation and capital construction; 3) the people's living standard must be elevated, the speed of construction must be neither too fast nor too slow. Where does the money come from? Relying on increasing the currency supply will inevitably lead to inflation, so this way will not work; nor can we rely on excessive borrowing of foreign capital. The way out is in strengthening enterprise management and improving economic results. To this end, two issues should be solved in the main: 1) raising the quality of products; 2) reducing material consumption. The bank has a task to perform in this connection, in other words, besides helping enterprises to reduce consumption of raw materials and fuel and the amount of funds appropriated, the bank must at the same time encourage improvement in the quality of products. Of the cost of products turned out by enterprises at present, raw material consumption accounts for approximately 75 percent, wage and welfare disbursements about 10 percent,

and major overhaul, depreciation, interest payments and other management expenses about 15 percent. Thus, a 10-percent reduction in raw material and fuel consumption will be a substantial figure. This is in keeping with not only immediate needs but also long-term needs. The bank should do its utmost to make this work a success. Only by so doing can we revitalize the economy without issuing more currency and expanding the scale of credit. Besides readjusting the structure in regard to the source of funds, we should also readjust the structure of funding. While exercising control of the scale of credit, we should also support the production and procurement of farm produce and sideline products, export commodities and goods in great demand but acutely short in the market and at the same time exercise strict control over loans for investment in fixed assets and restrict the production of products having poor economic results and not in demand in the market. We should make the best use of funds where they are most needed, minimize irrational appropriation of funds and deal with each case on its merits by supporting it, restricting it or denying it. As conditions vary from area to area and enterprise to enterprise, we should strengthen investigation and study specific policies and measures separately.

A more salient issue in controlling the scale of credit at present is that by ensuring their self-financed capital construction projects through various channels, some localities and enterprises have created a substantial gap as far as circulating funds and procurement funds are concerned. This amounts to a seesaw battle, as a bank must ensure the funds for fixed purchase of farm produce and sideline products but must also study how to recover in an organized way the procurement funds it has allocated. The current situation is: The bank lends the money to the supply and marketing cooperative for the purchase of farm products and sideline products, the peasants after receiving the money paid for the purchase deposit it in the credit cooperatives, the credit cooperative then use the money to meet the needs of rural and small town enterprises and other areas. The results are that while the bank has the loans to rural and small town enterprises under control, the credit cooperative is making loans more available. The bank tightens control and the credit cooperative loosens it; when loans for fixed assets are under control, circulating funds again are used for fixed assets; while the loans were under tight control, deposits again dropped by a wide margin. We should conduct an in-depth investigation, study the new situation and new methods, adopt specific and effective measures and tap the fund potential so as to revitalize the economy without expanding the scale of credit.

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## FINANCE AND BANKING

### SHANDONG BANK MAKES FLEXIBLE USE OF CREDIT FUNDS

Beijing JINGJI RIBAO in Chinese 25 Oct 85 p 2

[Article by Sun Yong [1327 0516]: "Shandong Industrial and Commercial Bank Regulates Credit Funds Flexibly--Funds Totaling 11 Billion Yuan Allocated and Delivered in the Preceding Three Quarters Registering 94.4-Percent Utilization Rate"]

[Text] The Shandong Provincial Industrial and Commercial Bank has regulated funds flexibly in spite of the strained situation in the demand and supply of credit funds this year by taking advantage of the time and space differences involving the use of funds. Between January and September this year, departments of the bank allocated and delivered funds totalling 11 billion yuan on more than 250 occasions at a fund-utilization rate of 94.4 percent, accomplishing the task basically without any error or backlog by making effective use of the credit funds.

In allocating and delivering funds, the Shandong Provincial Industrial and Commercial Bank has mainly relied on expeditiously grasping information and making use of the time difference rationally. This year they set up a "daily report system" on credit funds in general within its banking system so that the provincial branch bank can keep itself readily informed about the demand and supply of funds in various areas and forecast the trends of changes. With regard to funds already included in the plan, they are to be delivered whenever needed while idle funds not being used temporarily are to be centralized in the provincial branch bank for unified regulation. The Shengli Oilfield is a large enterprise using an enormous, fluctuating amount of funds. During the second and third quarters this year when its demand for funds was greater, the provincial branch bank, after analyzing and forecasting the situation, expeditiously used the idle funds of other cities and prefectures which were not being used temporarily to help the Shengli Oilfield solve the shortage of funds in the amount of 250 million yuan.

The provincial branch bank has also adopted different ways of allocating and delivering funds and selects the best time to make the transfer. Influenced by communication and management factors at present, it has become more noticeable that it takes a longer time for funds in transit to reach the destination and more funds are tied up. In the spirit of reducing idle funds, minimizing fund tieups and making quick turnover, the provincial industrial and commercial bank has adopted different ways according to different

conditions to allocate and transfer funds flexibly, such as by cable transfer, transfer by telephone and letting customers carry their own mail transfer and by choosing the best time to make the transfer. Completing the transfer of funds and crediting the transferred funds for use on the same day has basically done away with the piling up of funds in transit. Along the line of allocating and transferring funds, attention has been paid to taking advantage of the space difference by combining lateral with vertical allocation and transfer. This year, in compliance with the circular of the main office of the Industrial and Commercial Bank, they allocated and transferred more than 1 billion yuan in funds successively to 8 provinces and cities including Zhejiang, Yunnan, Shanghai and Shanxi. As a result of using the method of direct allocation and transfer and settling the account at one end, the overstocking of funds due to circuitous routing has been minimized.

In the course of regulating funds, the Shandong Provincial Industrial and Commercial Bank has paid attention to strengthening internal cooperation and mutual coordination. This year the state has imposed on the bank measures to control the credit balance and the scale of credit. For this reason, in regulating funds, it is necessary to flexibly readjust the scale of credit based on where the loans are to be used. By adopting the method of letting the credit department determine where the loans are to be used, the planning department take charge of allocation and transfer of funds and the accounting department take care of the necessary procedures, the Shandong Provincial Industrial and Commercial Bank has streamlined internal coordination of work and ensured smooth allocation and transfer of funds and to a certain extent eased the contradictions arising from the strained demand and supply of funds this year.

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FINANCE AND BANKING

SHANGHAI TO SET UP STOCK TRADING COMPANY

Hong Kong TA KUNG PAO in Chinese 4 Nov 85 p 1

[Text] Shanghai, which once boasted China's largest stock exchange, has taken the first step toward restoring it by setting up a company that will buy and sell shares, a municipal government spokesman said on 2 October, according to Reuters.

Wang Mingyang [3076 2494 2254], the spokesman, disclosed that the new firm had been approved by the municipal government and would begin operations by the end of this year. It will act as an agent for people wishing to buy and sell shares issued by local state-run firms.

"This is an experiment," Wang said. "We want to improve the circulation of money and raise capital for production, but we will not allow the speculation and profit-making that characterize Western markets." Shanghai's large and lively stock market was closed after 1949.

In the past 2 years, 13 firms in Shanghai have offered shares worth about \$6.25 million. Shareholders have been allowed to sell such acquisitions privately with the acknowledgement of the firms, but public trading is forbidden. The new firm, operating under the Industrial and Commercial Bank, will bring together buyers and sellers and arrange deals between them. The biggest share issue so far was about \$1.5 million sold early this year by the Shanghai Yanzhong Business Co, a trading and industrial firm.

"My shares were sold out in 6 hours because they gave a better return than bank deposits," said Zhou Xingrong [0719 5281 2837], the firm's chief executive. "Many young buyers were interested in the prospect of both interest and dividends. The return comes to 15 percent a year compared to 7.2 percent for fixed-term savings deposits, which is now an inadequate hedge against inflation."

Zhou stated that this kind of share issue increased the funds available to firms and thus boosted their productive capacity.

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FINANCE AND BANKING

BRIEFS

INSPECTION UNCOVERS ILLEGAL MONEY--A responsible person of the taxation, financial affairs and price inspection office of the State Council disclosed to this reporter on 6 November that as the nationwide taxation, financial affairs and price inspection gradually deepens, initial results have been achieved in self-inspection by enterprises and inspection in selected localities has also begun. According to incomplete statistics, by mid-October 3.51 billion yuan derived from various forms of unlawful activities have been determined, of which 1.21 billion yuan have been delivered into the state treasury. Large-scale inspection work has also been comprehensively carried out in various central departments, many departments have voluntarily repaid sums that should have been delivered to the treasury. The Agricultural Bank of China has paid up a 50-million-yuan surplus from 1984 under various accounts, the Civil Aviation Administration has paid up more than 30 million yuan in construction funds for key energy and transportation projects. On 4 November, the taxation, financial affairs and price inspection office of the State Council dispatched inspection teams to assist in inspection in some central departments. This responsible person emphasized that November and December are the crucial months for making a thorough investigation on various cases in violation of discipline, and that efforts should be made to continue the inspection work and make it a success. He called for inspection of selected localities to ensure that no less than 40 percent of selected localities should be inspected. With regard to central-level enterprises in various localities which have not been checked by work teams as none were sent by the central departments or which were not checked thoroughly, the localities should send inspection teams over to inspect them by concentrating on the foreign trade, banking and grain departments and large and medium enterprises. [Text] [Beijing JINGJI RIBAO in Chinese 7 Nov 85 p 1] 12662/12947

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## INDUSTRY

### FUJIAN SCORES NOTABLE SUCCESS IN INDUSTRIAL DEVELOPMENT

Fuzhou FUJIAN RIBAO in Chinese 30 Sep 85 p 1

[Article by Chen Wu [7115 2976] of Fujian Statistical Bureau: "Fujian Scores Notable Success in Industrial Development During Sixth 5-Year Plan Period-- Reform and Opening to the World Bring Vitality; Heavy and Light Industry Gradually Take Course of Proportionate Development with Output of Two-Thirds of Products Reaching Planned Targets and Higher Economic Results Following 5 Years of Readjustment"]

[Text] Fujian's industry has scored great success during the Sixth 5-Year Plan period under the impact of the reform and opening to the world.

The total industrial output value of 1985 (the Sixth 5-Year Plan does not include village-run industry and industry below the village level) is expected to register an increase of 90.2 percent over that in 1980, averaging an annual increase of 13.7 percent or 6.5 percent higher than the target set for the Sixth 5-Year Plan period. After 5 years of readjustment, divisions of the heavy and light industries have gradually embarked on a more proportionate course of development. In keeping with the rising living standard of the urban and rural population, light industry has energetically readjusted the product mix, increased the production of marketable products, output value registered an average annual increase of 14.9 percent surpassing the growth rate of 11.7 percent for heavy industry during the same period. This shows that the target put forth at the fourth provincial party congress of quadrupling the gross industrial and agricultural output value 5 years ahead of schedule is achievable.

The output of two-thirds of the products achieved the planned targets. Besides fulfilling 1 year ahead of schedule the targets set forth in the Sixth 5-Year Plan with regard to the output of 20 major industrial products listed in the Sixth 5-Year Plan in 1984, including canned goods, machinemade paper and cardboard, television sets, raw coal, electricity, rolled steel, iron ore, coking coal, troilite, nonferrous metal, synthetic ammonia, chemical fertilizer, medical apparatus and instruments, unprocessed timber, plate glass, metal-cutting machine tools, automobiles, walking tractors, internal-combustion engines and microcomputers. It is estimated that another 12 products, including woolen yarn, sugar, cigarettes, bicycles, tape recorders, pig iron, caustic soda, rubber tires, chemicals, cement, cameras and electronic computers will reach the targets under the Sixth 5-Year Plan.

Economic results have also improved to some extent. Enterprise management has improved and economic results raised to some extent with the consolidation of the enterprises and the implementation of the economic responsibility system. Energy consumption in relation to industrial output value per 100 million yuan has dropped from 66,900 tons of standard coal in 1980 to 53,100 tons in 1984, it is estimated that it will drop to 51,000 tons in 1985. The targets of full labor productivity and the turnover of fixed-quota circulating funds in terms of the number of days are expected to meet the demands prescribed in the Sixth 5-Year Plan.

The achievements of Fujian's industries during the Sixth 5-Year Plan period are principally due to the reform and open door policies conscientiously carried out by the people throughout the province:

With the development of the restructuring of the rural economic system, bumper harvests have been reaped in successive years and the percentage of marketable products has also risen markedly, thereby providing more and more raw materials and a vast market for industrial development. Between 1981 and 1984, the industrial output value derived from using farm produce and sideline products as raw materials registered an average annual increase of 9.2 percent.

The restructuring of the urban economic system has given industrial enterprises added vitality. During the Sixth 5-Year Plan period, the restructuring of the urban economic system centered around enhancing enterprise vitality has fanned out from selected points to general areas giving impetus to industrial production.

In spite of the considerable success achieved in Fujian's industrial development during the Sixth 5-Year Plan period, some problems have cropped up that merit our attention. For instance, there is a lack of coordination within heavy industry, the growth of the manufacturing industry far exceeds that of the excavation industry and the raw material industry; in spite of some progress, the technological transformation of industrial enterprises and the importation of advanced technology still cannot keep abreast of the demands of the situation, particularly in digesting and absorbing imported technology; the industrial product mix is still lagging behind the needs stemming from changes in the consumption structure, and so forth.

We must from now on strive to improve quality and raise effectiveness by centering on raising economic results. We must do away with the practice of stubbornly competing for faster growth and concentrate on technological transformation of the old enterprises so that production will develop and economic results will improve on the basis of technological progress.

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## INDUSTRY

### DEVELOPMENT OF CHINA'S TEXTILE MILLS STUDIED

Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 8, Aug 85 pp 62-64

[Article by Ma Lian [7456 6647] of Dalian Light Industry Academy: "On the Development Trend of China's Textile Mills"]

[Text] (Abstract) Based on current economic activities, the writer attempts to explore the development trend of China's textile mills from seven different aspects, namely, the size of mills, the varieties of products, the choice of equipment, the types of factory buildings, the dimensions of the pillar networks, air-conditioning, and computer monitoring.

The large-scale development of textile industry has been the main feature of the second wave and has led to fundamental changes in the industrial structure. This is a historical achievement which can never be obliterated. Now the third wave is pounding at the world. Under such conditions, how will the textile industry be developed and what will be the trend of new designs for China's textile mills? This article will attempt to explore this question.

#### I. Size of Single Mills

Now that the industrial society is developing into an information society, its economic activities are featured by the shift from high centralization of decentralization in small units. In China of the 1950's and 1960's, most cotton mills had 50,000 or 100,000 spindles and performed all the functions as separate and complete units. These mills have become rare in recent years, since the larger ones have found it difficult to cope with the many changes in their product varieties. According to the statistics on a survey conducted in Japan, (Footnote 1) (MIANFANGSHI JISHU [COTTON TEXTILE TECHNOLOGY], 1983, No 8, p 59) there were 14,738 textile enterprises in a certain prefecture. These enterprises had 114,940 workers, averaging 7.8 workers per enterprise. "Small size and high flexibility" are the main features of these enterprises. After the 1970's, every county in China has its own textile mill or mills. This is an outcome of the prevailing conditions. Because of their small size, however, the regular textile design institutes would not accept any task from them, with the result that problems exist in varying degrees regarding their

technical procedures and factory structures. Thus soon after their establishment, they would be faced with the task of "altering the plant." This is one of the problems overlooked in an earlier stage of China's textile development. Now should be the time for the small mills to be "recognized" and included in the relevant plans, and the restrictions concerning size in examination and approval should be reconsidered. Furthermore, there should be certain design units to undertake the design task for small mills or to provide consultation and offer relevant views so that these small mills could make better use of their investment.

As to the size of mills, since single mills will be further developed in the future, it would be desirable for each of them to have 20 to 100 looms. This size will be adequate for the requirements of varieties and easy to manage. According to the viewpoint of size economy (Footnote 2) (Etsugo Waden, "Kibo No Keizaisei" [The Economic Nature of Size] (Japanese)), there is one smallest and most suitable size. Its value varies according to different varieties, raw materials, and factory sites, and should be concretely analyzed according to concrete conditions.

## II. Varieties of Single Mill Products

Another feature in the current economic developments is the development of state economy and national economy in the direction world economy. The total number of spindles and looms in China is the largest in the world, but the competitive power of its textile products is very low in the world market. The main problem is with the variety and grade of products. China produces mostly low- and medium-grade products, but very little high-grade ones. Among the worsted fabrics produced for exports which should be rated as high-grade products, only a few are up to the standards required for dress suits. As for raw materials, China's natural fibers, especially its cotton output, rank first in the world. Natural fiber products are now continuing to gain popularity in the world market, and we should take full advantage of this opportunity by stepping up our in-depth processing of these products. Now let me take a small mill in Japan for example. This mill has 148 looms, 3 warping machines, and 1 sizing machine, and produces 11 varieties of products. One of them is 30-count plain weave and the rest are 50 to 135-count ply yarn products of various types, 188 x 99 threads/inch. These low-count and high-density natural fiber products are quite competitive on the international market. China has rich labor resources and should have no problem in stepping up its in-depth processing or producing high-grade products in view of its abundant manpower. The problem it will encounter is that of technology and the standard of operation, and this is precisely the problem that urgently needs solution, especially under the new conditions. At present, great efforts should be made in training workers and it is believed that these efforts will help us meet the challenge. Furthermore, we have to increase our specialty and should concentrate its efforts on one or several varieties, especially the products of natural national styles and traditions. Attention should also be paid to highlighting their special features.

### III. Choice of Mill Equipment

Machinery has the special characteristic of continuing to become advanced, but we did not fully recognize this fact in the past. Although very great improvement has been made in our textile machinery during the past 30 and more years, we are still lagging far behind international developments. The textile machinery China now produces is only equivalent to what was produced in the world during the 1940's and 1950's. The 600,000 looms in China are still mainly automatic shuttle-changing looms of 1511 Model. We have imported a small number of shuttleless looms in recent years, but are still unable to manufacture them ourselves. Such conditions are inconsistent with developments in the textile industry in the world. The standards for looms to be purchased in the 1980's in foreign countries (Footnote 3) (CANADIAN TEXTILE JOURNAL, 1982, No 4, pp 38-40) are: picking motion, 500-600 per minute; efficiency, more than 95 percent; defects, less than 1 percent; noise, less than 90 decibels (A); general cost (including costs of energy and labor), low; per-unit factory area output, high operation, convenient; and competitive power, to last 10 years. At the same time, the requirements of the dyeing and printing plants must be met, meaning basically no defects, requiring only little or no desizing, and using large winders for 2,000 to 3,000 m of fabric. Judged according to these standards, China's present looms are obviously very backward. The reason for this backwardness is that for many years, its hands were tied by the several hundreds of thousands of shuttle-changing looms, and no big step could be taken in updating the looms. In foreign countries, the equipment is generally updated once every 6 years, while in China, the depreciation period is more than 20 years. In fact, even the narrow-width looms discarded by the large mills are picked up and used by the enterprises run by communes and production brigades. The depreciation period is almost indefinite. Thus the expenses incurred in using these looms every year amount to about 73 percent of the cost of new looms, and 30 percent of these expenses are for maintenance. (Footnote 4) (FANZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION], 1982, No 5, p 57) Since these old looms are still not written off, the enterprises are likened to some people cherishing a tattered dress, and in wearing it, they have to buy 4 to 5 feet of new cloth to mend the torn parts every year. This situation is very irrational.

In Japan, those looms with shuttle-boxes or weft-take-up devices and shuttle-less looms are called modern looms. Judged by this standard, Japanese looms in 1982 were 62.4 percent modernized (Footnote 5) (Yang Musenze [2799 4207 2773 3419] "Conditions of Modernization of Japan's Cotton Textile Equipment in 1982") while Chinese looms were less than 1 percent modernized. China can solve this problem only provided it can see this point clearly. For China, the main shortcomings of shuttleless looms are their high cost and their high energy consumption. However, if there is the determination to build shuttle-less-loom manufacturing plants, and provided full cooperation of the machine-building industry and the military industry is available, this obstacle can certainly be surmounted. After all, the choice of equipment must be decided by the factor of modernization.

#### IV. Choice of Types of Factory Building

Since the 1970's, because of the energy crisis and the higher demand on quality, factory buildings of a sealed-off type were developed. In the 1970's, for example, 10 new textile mills built in the United States were all of this type. (Footnote 6) (TEXTILE WORLD, 1974, No 3, pp 105-143) Furthermore, the rise of land costs gave an opportunity for sealed-off buildings to gain further popularity. This situation was affirmed in the past several years, and recently, foreign countries have introduced a new concept--the optimal "envelope" concept (referring to the space measured between the outer walls and from the roof to the floor). Based on the different costs of the roof and the walls, the most economic number of stories to be built can be calculated. This is the idea behind the "envelope," and the formula is as follows:

$$N^{1.5} = xf^{0.5}/2s$$

Here, x means the unit prices of the roof and the walls: f, the total area occupied (in square meters); S, the height of each story (in meters), and N, the optimal number of stories.

Under general construction conditions, the "envelope" includes a multistory structure. For example, if S = 5, x = 2, and f = 10,000 m<sup>2</sup>, then N = 7. From this, we can see that the per-unit construction cost of the building is fairly low. China has constructed a number of buildings and factories since the beginning of the 1980's. (Footnote 9) (MIANFANGZHI JISHU 1984, No 11, pp 36-40) According to the statistics on 10 factories, the land area saved amounted to 62 percent of the total construction area.

The shortcoming of sealed-off factories buildings is that it would be rather difficult to resolve the contradiction between requirements of air-conditioning technology and that of the workers' psychology and physiology. A compromise method is to design for a minimum of four narrow glass windows and to surround the lounge completely with glass so as to satisfy the workers' desire for natural light through glass windows. That is why when the problem of illumination and noise control have been gradually solved, the choice of sealed-off buildings is to be in line with the main trend.

#### V. Determination of Dimensions for the Pillar Network

At the beginning of the century, the density of pillars in the factory buildings of the serrated type was 60 m<sup>2</sup> per pillar. In modern textile mills, the density is 450-800 m<sup>2</sup> per pillar. Up to the early 1960's, factory buildings of brick and wood with the pillar network dimensions of 9 x 7.2 m<sup>2</sup> or 7.8 x 6.2 m<sup>2</sup> were still used, although they were equivalent to the international levels of the beginning of the century. These dimensions in the factory building of steel and concrete structures of recent years have continued to expand, and pillar networks of 18 x 24 m<sup>2</sup> have been reported many times. Along with the improved quality of building materials, these dimensions may tend to expand further.

The formula to calculate the spans between pillars introduced by foreign countries for textile mills is as follows:

$$x(2d + w + W) \cdot x_1(l + s)$$

Here,  $l \times d$  is the rectangular outline of the loom;  $w$ , the work lane of at least 0.6 m;  $W$ , the width of the lane behind the loom of at least  $1.75 \times$  the diameter of the beam disk [zhou pan 6519 4149] of at least 1.2 m;  $s$ , the width of the traverse carriage [hengchuan che 2897 4302 6508] lane, of at least 0.6 m;  $x$ ,  $x_1$ , the recurring number of the loom's modulus.

This is different from China's in several respects. First, the lane behind the loom is rather wide for the reason that the beam and the weft package are commonly transported on suspended rails in foreign countries. Second, the lane for weft loading is rather small. The reason is that in foreign countries, automatic shuttle-changing looms are no longer used because the weft package is attached to the loom or shuttleless looms are being used. The weft supply system consists of a large weft bobbin, and the work of feeding weft yarns is no longer necessary. That is why it is called a traverse carriage lane.

Based on the realities in China, the following formula for calculating the dimensions of the pillar network is suggested:

$$X_1(2d + q + h) \cdot x_2(2l + m + c)$$

Here,  $l \times d$  represents the rectangular outline of the loom;  $q$ , the working lane (450-500 mm);  $h$ , the warp beam lane (550-700 mm);  $c$ , the loomside lane, used for changing the shuttles (1,100-1,500 mm).

In actual designs,  $c$  may sometimes be as long as 2 m although 1.5 m can generally accommodate a 75-inch loom; otherwise, it will interfere with the operator's movement.

Along with the increase in the width of looms and the need for lower vertical density, the dimensions of the pillar networks will also gradually expand. In recent years, some foreign countries have been able to eliminate all the pillars in textile mills of moderate size (not wider than 40 m and possessing 100 to 120 shuttleless looms).

## VI. Air-conditioning

The standards for warmth and humidity in workshops have also undergone changes with the development of technology. For example, the fairly high humidity required for woven fabric with starch sizing is no longer required when synthetic materials are used for sizing. In recent years, some foreign countries introduced the Condifil system (Footnote 7) (Allan Ormerod, "Modern Preparation and Weaving Machinery," 1983) of the Schwartz (?) Co., whereby air-conditioners are provided for individual looms. One of the characteristics of this system is that the air supplied through underground pipes goes through

every loom, including the yarns and other equipment, before being discharged upward through the exhaust pipe. To avoid corrosion, the humidity of the air entering mechanism is kept below the saturation point. According to the introduction, the amount of air for circulation in the workshops under this system can be reduced to less than 50 percent of the amount required under the traditional air-conditioning system. The idea behind the design of this system is that solar heat, conducted heat, and heat generated by the workers do not have much effect on the operation, although they raise the air temperature in the upper portion of the workshop. Therefore, the exhaust device is installed in the upper portion to discharge the heated air. Compared with the traditional systems, it can save 17 percent of total weaving expenses after deducting for depreciation, or 5 percent of total expenses before such deduction. This saving is attributed to three factors: first, lower air-conditioning expenses; second, a 66-percent reduction in the number of air changes per hour and consequently a reduction in the operation of the air-conditioners; and third, a 1-percent increase in output. Doubtlessly, this air-conditioning system is attractive to China.

## VII. Computerized Monitoring System

According to relevant foreign data (Footnote 8) (TEXTILBETRIEB, 1982, No 3, pp 19-30 (German)), if any new plant designed in the 1980's does not include computerized control and monitoring, people would scoff at this idea as "unthinkable" or "hard to understand." When building some textile mills in the earlier 1980's, China began to consider the installation and use of a computerized monitoring system. In rebuilding the Tangshan Huaxin Plant in 1981, this matter was also considered. In recent years, some experiences in the manufacture and use of this equipment have been accumulated in China. In the future, it will certainly be able to further reduce production costs and shorten the investment recovery period considerably.

Today, when technology is continuing its advance, the textile trade is no longer a labor-intensive and low-capital industry. The continual rise in the standard of automation and the continual reduction of labor in textile mills have been quite obvious in the past several decades, and the time required for producing 100 m of fabric has been shortened from 2 to 0.3 work hours. Adoption of the computerized monitoring system can cut the efficiency loss by 2 to 3 percent, reduce the amount of defective products and warp yarn stock, improve the performance of machinery, shorten the periods of variety changes and revisions, and reduce the work of manual record keeping. In foreign countries, the period of investment recovery in this system can be as short as 3 months. These countries also have some all-purpose equipment for this system and its cost is only about 2 percent of the total equipment expenses.

The system of computerized monitoring can provide the conditions for distribution according to work and can accurately link the workers' wages with their work performance. It can promptly supply all the information in the workshop, such as the reports on each work shift and each loom. It can also supply

accurate and timely information on how each operator takes care of his looms and the result of his work as well as the information on each maintenance worker and the performance of the looms under his care. All this information will serve as accurate data in the payment of wages. Along with the development of the electronic industry, the system of computerized monitoring will certainly become one of the regular features in the designs of new textile mills.

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## INDUSTRY

### DEVELOPMENT OF BLENDED, INTERWOVEN FIBER FABRICS ENVISAGED

Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 9, Sep 85 pp 40-42

[Article by Jin Zhuang [6855 1104] of Wuxi Textile Products Research Institute: "Development of Blended and Interwoven Textile Products"]

[Text] (Abstract) Based on the needs of the foreign and domestic markets and the trend of chemical fiber development, this article attempts to explore the direction of development for blended and interwoven textile products with regard to their varieties and specifications.

#### I. Products of Mainly Cotton and Linen for the Foreign Market

Because of the "back-to-nature" style throughout the world, textile products of natural fibers, such as pure cotton and pure linen, or those in which they are blended or interwoven with other fibers, are enjoying brisk sales on the international market. China has rich resources of cotton and line, and one way to expand its cotton and linen products is to develop blended or interwoven fibers at different ratios and in various forms.

##### A. Products of Linen Blended or Interwoven With Other Fibers

With the unique characteristics of being strong and absorbent, linen fibers, used for summer-wear materials, have the advantage of being sleek, absorbent, and porous. Furthermore, the material is still and does not stick to the skin. According to foreign estimates, linen and its blended products would be one of the popular items in the world in 1985.

The main varieties of linen blended or interwoven with other natural or chemical fibers are plain weaves, twills, ginghams, denims, and oxford fabrics, either yarn-dyed or piece-dyed, and in either heavy or light weights. The heavy type is used for trousers, and the light type, for shirts and blouses. In designing these products, we can improve their appearance by adding colored streaks or checks of different sizes to the white surface, by doubling the warps and wefts, or by showing some harsh and uneven stripes. The specifications of the blending or interweaving are: Linen 20/cotton 50/silk 30, 14 x 14 counts, 54 x 55 threads/inch; linen 45/cotton 55 or linen 50/cotton 50, 14 x 14 counts, 54 x 44 threads/inch; linen 10/cotton 90, 30 counts (cotton/linen) x 30

counts (cotton), 67 x 55 threads/inch; and so forth. In addition, there are interwoven products of cotton/linen and polyester, linen and spun silk or silk noil yarns; and blended products of five different fibers (linen 46/ acrylic 15/wool 15/silk 15/polyester 9). According to present world market conditions, the proportion of linen should be above 55 percent. It cannot be below 51 percent after dyeing, finishing and processing.

In the future, the trend of development in linen products will be toward high counts and light weight. Therefore, China should increase the number of counts in its export products and produce more materials for shirts and blouses.

#### B. Polyester/Cotton Products With Reverse Ratios

Cotton fibers have good absorbency. Since natural fibers are in vogue abroad and people want their garments to be comfortable, polyester/cotton products blended at reverse ratios are now well received in foreign countries. These products basically retain their original characteristics of fast drying, dimensional stability, and being chemical resistant, while the high ratio of cotton will greatly improve the absorbent, porous, and static-proof qualities of the products.

Polyester/cotton products in reverse ratios require more than 55 percent of cotton. The main specifications are: 45 x 45 counts, 88 x 64 threads/inch and 45/2 x 45/2 counts, 101 x 55 threads/inch for check poplin and cambrics; 21 x 21 counts, 70 x 60 threads/inch for check fabrics. Lengthwise polyester/cotton yarns and crosswise pure cotton yarns are used for oxford fabrics.

However, the high cotton content of these products puts high demand on the post-finishing and processing, and their durability and ready-to-wear properties should be improved by resin finishing and antishrinkage treatment.

### II. Products of Mainly Polyester Filaments for the Domestic Market

Polyester fibers have developed far more rapidly than any other synthetic fibers in the world, and the development of filament products has received even greater attention. The proportion of polyester filaments in China is very low, and far below the world standards. Therefore, the development of these products deserves our full attention. On the domestic market, imitation wool, imitation silk and imitation linen of blended polyester/cotton fibers have become competitors with blended polyester/cotton and medium-fiber products. For those cotton fabric and yarn-dyed fabric trades now restricted by their technology and equipment, blending and interweaving will be one way to develop their polyester filament products.

#### A. Imitation Woolen Products of Blended Medium Fibers or Mixed Medium Fibers and Draw-Textured Polyester Filaments

The popularity of Western-style suits have created an ever-increasing demand for the required materials. Such materials are of three main categories, namely worsteds, imitation wool of medium fibers, and draw-textured filaments.

In price, the last item is in between the other two, and in quality, it has a better woolly feel, finer texture and greater durability than available in medium-fiber products. Therefore, draw-textured filament products are ideal materials for Western-style suits in terms of price and quality.

To meet the requirements of cotton and yarn-dyed fabric mills in production, the method of interweaving draw-textured polyester filaments with medium fibers is to use the latter lengthwise and the former crosswise, or to combine both in the same yarn. By this means, the problems of draw-textured filaments in producing a waxy feel, an aurora [ji guang 2817 0342], napping and pilling can be reduced. According to present market conditions, fancy suitings should be the main product with gabardine next in line. In designing the products, we may note the difference in dyeing polyesters and viscose, so that the piece-dyed products will produce the same effects as yarn-dyed products do. If draw-textured polyester filaments are used for inlay threads, striped fancy suitings can be produced.

The specifications for these interwoven fabrics are: 42 counts/2 x 150 deniers, 68 x 58 threads/inch; 32 counts/2 + 32 counts/32 counts x 179 deniers, 75 x 54 threads/inch, and so forth.

#### B. Imitation Silk Products of Blended Polyester/Cotton and Polyester Filaments

The materials for making shirts and blouses to match Western-style suits are now of a higher grade, since the traditional polyester/cotton fabrics can no longer satisfy the consumers. The interwoven polyester/cotton and polyester filaments, used as imitation silk, are steadily entering the market and being well received by domestic consumers. They are enjoying such brisk sales that their supply has become short of demand.

The most representative polyester/cotton product is the fabric interwoven with polyester/cotton yarn lengthwise and polyester filaments crosswise. This fabric does not have the rough and stiff feel of blended polyester and cotton, or the waxy feel of pure polyester filaments. Furthermore, if bright threads are used lengthwise for large and small jacquard designs, the fabric would become sparkling, while imitation silk finishing with reduced alkali would give it a silkier feel. This interweaving method is suitable for both plain and fancy-color knits with certain economic benefits.

If profiled filaments, such as triangular or trilobal filaments, are used crosswise, it will not only change the fabric's luster, but also improve its hand feel, give it a graceful drape, and increase its air permeability. Therefore, the development of imitation silk of irregular-shape polyester fibers has a promising future.

At present, the weight of filament fibers used is mostly 60-70 deniers, and the number of strands should be more--generally more than 36. The specifications are 45 counts x 75 deniers, 80 x 70 strands/inch, and so forth.

### III. Spandex Products

The strong points of spandex lie in its elastic recovery and its durability. Blended or interwoven with other fibers, it gives a comfortable feeling and is the most elastic fiber.

Spandex is mainly used in sportswear, close-fitting underwear, corselets and trouser waists and suspenders. Elastic fabrics are popular because sports-lovers want their apparel to be tight and flexible, while fashionable people want them to be close-fitting with stripes. Since spandex has the characteristics of revealing people's physical shapes, it will have a promising future at home and abroad.

The yarns used in spandex are mainly wrapped yarns and core-spun yarns of 40, 70, and 140 deniers, mixed with other fibers, such as cotton and acrylics. Spandex can be elastic lengthwise, crosswise or both. The ratio of blending is approximately cotton 95 and spandex 5. The specifications are: 7 x 6 counts, 65 x 42 threads/inch, and so forth for elastic denim; 29 x 29 counts, 85 x 59 threads/inch and so forth for elastic fancy suitings; 42 counts/2 x 16 count, 82 x 128 threads/inch for elastic woolen fabric; and 21 x 21 counts, 64 x 142 threads/inch for elastic corduroy, elastic khaki drill, elastic oxford fabrics, and elastic crepes.

There are also other elastic products of pure or blended wool, such as pure-wool elastic fancy suitings (wool 93.45/spandex 0.65/nylon 5.9); fancy suitings of blended wool and spandex (wool 42.9/spandex 1.8/polyester/52.4/polyester filaments 2.9); and coarse spandex fancy suitings (wool 65/spandex 0.5/viscose 34.5). Blended with linen, spandex can be made into elastic linen fabrics.

### IV. New Products of Blended and Interwoven Chemical Fibers and Blended Filaments

The trend of chemical fiber development at home and abroad shows the introduction of new types of chemical fibers and the development of the technology of textured blended fibers. The introduction of new chemical fibers has provided the spinning, weaving, and dyeing trades with good opportunities to produce new goods. The blending, interweaving, and rational use of various new chemical fibers are of great significance in improving the properties and styles of textile products. Some examples can be cited as follows:

A. By blending modified cationic dyeable medium fibers with ordinary medium polyester fibers, or blending modified pure polyester yarns with ordinary pure polyester yarns to form color threads, we can design imitation wool fancy suitings of various patterns. At the same time, since the shrinkage rates of modified polyester fibers are different (the former being 4 percent and the latter being 2 percent), the blended yarns would have some slight bulking effect which would produce a woolier feel.

B. After finishing the blending of high-shrinkage with low-shrinkage polyester fibers, or the blending of high-shrinkage with low-shrinkage pure polyester fibers, would have the dual effect of bulking and embossing on the fabrics.

C. Fibers of irregular shapes can be blended with other fibers, and filaments of irregular shapes can be interwoven with other yarns. Triangular polyester or Chinlon fibers with other fibers would produce some sparkling effects; the interweaving of pentalobal or trilobal filaments with other yarns would produce the luster of pure silk; the hollow fibers contain air bubbles which diffuse the rays and make dust oblivious; and because of their light weight and ability to preserve warmth, we can produce imitation wool by blending them with other fibers.

D. The blending of fibers of different lengths and different deniers helps improve their serviceability and increase the woolly feel. In blending polyester with wool, for example, if the woolen fibers are shorter but more numerous than the polyester fibers, the wool will form the outer layer of the yarn, thus giving the fabric a soft woolly feel.

E. Core-spun yarns can improve the properties of fabrics. For example, products of core-spun yarns with cotton 70/polyester 30 are easy to wash and quick to dry. They are superior to cotton fabrics in dimensional stability and durability; and superior to pure polyester fabrics in the ability to resist pilling and static. Therefore, spandex/cotton, spandex/acrylic, viscose/polyester, and linen/polyester products with core-spun yarns should be actively developed.

F. With the addition of acrylics of irregular shapes, compound acrylics and high-crimped viscose in the blending, we can produce heavy, medium, and light imitation fabrics which are particularly suitable for fancy woolen suitings.

G. With various air-texturing techniques, we can let blended filaments and fibers of different numbers, different cross-sections, different lusters, different raw materials and different shrinkage rates--such as mesh fibers of large and small denier numbers, which have the fine properties of being pressure resistant--play a key role in fabrics. Fibers of small denier numbers crimp easily and are soft. Fabrics of small denier numbers crimp easily and are soft. Fabrics made of these blended fibers have a fine texture and a good hand-feel. The regular polyester filaments with different dyeing characteristics, the modified cotton dyeable polyester filaments, and the blended mesh fibers after false twisting, can combine to form color threads; and the octalobal filaments, after being textured with false twisting and mesh processing, can be made into imitation wool which can also entirely eliminate the aurora.

#### V. Conclusion

We should actively develop blended and interwoven products of mainly linen and cotton for exports and produce products with polyester filaments as the core for domestic consumption. There is also a promising future for the development of spandex. Our future goal is the development of various new blended and interwoven chemical fibers and various blended filaments.

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## INDUSTRY

### NINGXIA TEXTILE INDUSTRY IMPROVES ECONOMIC RESULTS

Yinchuan NINGXIA RIBAO in Chinese 21 Sep 85 p 4

[Article by Zhang Ling [1728 7227]: "The Economic Results of Ningxia's Textile Industry Have Increased Substantially; Quality Control Enforced, New Products Developed, Competitiveness Enhanced"]

[Text] Under a situation of serious shortages of raw materials and price readjustments, textile enterprises in Ningxia Autonomous Region have strengthened quality control, vigorously developed new products and improved economic results. Between January and August of 1985, the total output value of Ningxia's textile industry reached 85 million yuan, a 14.6-percent increase over the corresponding period of 1984; the profits registered a better than 2-fold increase and the profits delivered to the state registered a 1.5-fold increase.

Since 1984, Ningxia's textile enterprises have expanded the decision-making power of enterprises, implemented various kinds of economic responsibility systems and aroused the enthusiasm of enterprises and staff members and workers. They have rectified the guiding ideology of business management, enhanced the concepts of markets, competition, and input and output, readjusted product mix in a timely manner and strived to improve product quality.

The Yinchuan No 2 Textile Plant attaches great importance to market forecasting and analysis. At the beginning of 1985, they held five market information forecast and analysis policy decision meetings to readjust product mix and quality control targets. The Ningxia Floss Plant investigated domestic markets in a planned manner, visited some manufacturers in other provinces and municipalities, and gained useful information by examining the new products of all localities sold at the special floss counters of various large department stores in Beijing and Shanghai.

All textile enterprises adhere to the principle of "quality first, reputation first." The Yinchuan Woolen Yarn Plant strengthens quality control beginning with wool selection and refuses to deliver substandard woolen yarn to warehouses. From January to August, this plant, which used to suffer from policy-related losses, earned a profit of 1.52 million yuan. The Yinchuan Woolen Mill corrected in a timely manner the erroneous idea that "quality

control is not important because all products will be sold on the market." This plant designated a deputy director to take charge of quality control and established quality control groups in all workshops and major work procedures. Now this plant exports more than 10 products to over 20 countries and regions.

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## INDUSTRY

### BRIEFS

PLASTICS INDUSTRY DEVELOPMENTS--China's plastics industry has recently begun to take shape and is about to enter a stage of high-speed development. China's 1984 production of plastics amounted to 1.12 million tons; imports were 850,000 tons, which makes for a self-supply ratio of 52 percent. According to the forecast of the Ministry of Light Industry, China's plastics requirements in 1990 will be 3.6 million tons. Calculating at a production of 2.7 million tons at that time will still leave an import requirement of 900,000 tons. In its future development, the plastics industry will mainly have to focus attention on: (1) new technologies, new kinds of products; (2) reduction of consumption in consuming units; (3) readjusting product mix and trademarks; and (4) development of further uses for plastics. Currently, plastics account for only 1 percent in China's construction materials, which still leaves much untapped potential. [Text] [Shijiazhuang HEBEI RIBAO in Chinese 31 Aug 85 p 2] 9808

CSO: 4006/23

## CONSTRUCTION

### CONSTRUCTION OF HIGHWAY BRIDGES SUMMARIZED

Haikou HAINAN RIBAO in Chinese 15 Aug 85 p 4

[Article: "Over 140,000 Highway Bridges Have Been Built Since the Founding of New China"]

[Text] According to JINGJI CANKAO [ECONOMIC REFERENCE], China's bridge building technology has improved substantially since the founding of new China and over 140,000 highway bridges of various kinds, totalling 4 million meters in length, have been built in the past 30 years or so. Classified by the type of structure, there are arch, beam, suspension, cantilever, T-shaped steel structure, and inclined bridges. Classified by the building materials, there are stone, reinforced concrete, prestressed concrete, and steel bridges. China has all of the various bridge structures that there are in foreign countries. In addition, China has the double-curvature arch bridge, a unique bridge with a national characteristic that cannot be found elsewhere in the world.

The internationally famous Chang Jiang is China's longest river. There was no bridge on the Chang Jiang before the liberation. Now, there are about 20 highway bridges of various kinds. The great Chang Jiang Bridge at Chongqing with 174-meter spans is a T-shaped steel structure bridge with the longest span in China. The great Sanjiang Bridge of Yichang, Hubei Province, was opened to traffic in 1981. Its weight-bearing capacity of 54 tons is the highest among China's highway bridges.

The Huang He, which is also internationally famous, is China's second longest river. Before liberation there was only one highway bridge in Lanzhou which could only accommodate one-lane traffic. Now, there are over 40 large highway bridges of various kinds. The Great Huang He Bridge of Jinan was opened to traffic in 1982. Its largest span is 220 meters. It is a slant reinforced concrete bridge of the largest span in China. The great Huang He Highway Bridge at Zhengzhou, which is now under construction, is 5,500 meters long, the longest highway bridge in China today.

China has a long history and rich experience of building stone arch bridges. The Jiuxigou stone arch bridge of Sichuan Province with 116-meter spans is second to none in the world.

## CONSTRUCTION

### SHANDONG ACCELERATES CONSTRUCTION OF OFFSHORE ISLANDS

Beijing RENMIN RIBAO in Chinese 30 Oct 85 p 2

[Article by Jia Jianzhou [6328 1696 5297]: "Shandong Accelerates Construction of Offshore Islands by Readjusting Production Policy and Adopting Preferential Measures"]

[Text] By readjusting production policy and adopting preferential measures, Shandong Province has accelerated development and construction of offshore islands.

Shandong Province has a total of more than 190 islands each with an area of more than 500 sq m covering a total area of 177 sq km, the coast line of these islands is more than 680 km. The aquatic output of these islands accounts for approximately one-tenth of the total output in the province, of which precious items, such as sea slugs, dried scallops and abalone, account for more than half of the province's total output. In spite of the progress made to some extent in island development and construction in Shandong Province in recent years, the poverty and backward state in these islands has basically remained unchanged. Problems such as having trouble in getting potable water, taking an off-island trip, enrolling in school, seeking medical advice, buying and selling things, using electricity and postal and telecommunications facilities are common in many islands.

To revitalize the economy of the islands, the provincial CPC committee and the provincial government, in furtherance to in-depth investigation and study, called the first provincial conference on island work at the end of last year in Changdao County to draw up plans on how to accelerate development and construction of the offshore islands. For the past 1 year, the provincial CPC committee and the provincial government have adopted varied measures to inject economic vitality into the offshore islands and achieved gratifying results.

-- Readjusting production policy. The province has specifically put forth a production policy for the offshore islands which emphasizes "diversified undertakings with fishery as the leading factor" to counter the slogan of "self-sufficiency in grain" stubbornly followed in the past. Various islands have developed fishery, forestry, animal husbandry, sideline occupations, aquatic products processing industries and tourism in line with local conditions to lay the foundation for the takeoff of the offshore island economy. This year, the breeding acreage of offshore island aquatic products has

increased to more than 28,000 mu and the cultivated output is expected to reach more than 33,900 tons, increasing by 30.5 and 7.6 percent, respectively, over last year. According to the statistics of 25 fishing islands, more than 6,100 mu of farmland and forests have been reclaimed. This represents 57.4 percent of the farmland and forests to be reclaimed. Including the afforestation of barren hills and desolate beaches, more than 7,100 mu of land can be afforested in a year, which is equivalent to the total afforested acreage in the preceding 10 years. The total income from fishery and the agricultural economy this year is expected to reach more than 113 million yuan or an increase of 55.85 percent over last year.

-- Adopting preferential policies. The provincial CPC committee and the provincial government have adopted 15 preferential policies suitable to the conditions on the offshore islands, including the main: full exemption from the fixed quota grain procurement task for the offshore islands; restoring farmland and forests and carrying out afforestation more efficiently; building some new rural and small town industries for the islands and exempting existing production and service enterprises and certain artificially cultivated aquatic products from taxation; increasing material supply and relaxing farm loans; improving payment of working personnel on the offshore islands; encouraging institutes for higher learning and scientific research units to come to the islands to engage in technological development; instituting the transfer of the results of scientific research with compensation, and so on and so forth. These preferential policies have aroused the enthusiasm of various quarters concerned in developing the offshore islands. Up to now, the offshore islands have built 70 km of highways, put an additional 16 passenger and cargo ships and 409 fishing boats into service and constructed 9 cold storages; 9 offshore islands have built water storage and supply projects, some other offshore islands have expanded nurseries for delicious products from the sea. All this has created favorable conditions for developing the offshore island economy.

Moreover, since the first provincial conference on island work last year, Yantai and Qingdao cities and counties on the offshore islands have all drawn up blueprints and implementation plans based on the results of investigation and study on developing the offshore islands. Party and government organs at all levels have set up special groups to conduct periodical inspection and supervise the implementation of plans. Leading members of the Yantai and Qingdao municipal CPC committees and municipal governments have visited the offshore islands on many occasions, made final decisions on existing matters on the spot and set a time limit for their solution, thus ensuring the smooth progress in development and construction of the offshore islands. Various departments and professions and trades have also looked upon their support of the development of the offshore islands as their "bounden" duty and contributed manpower and material and financial resources to energetically help the offshore islands in solving numerous specific problems.

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CSO: 4006/220

## DOMESTIC TRADE

### SHANGHAI TRANSFERS TECHNOLOGY, MANAGEMENT METHODS INLAND

Beijing LIAOWANG [OUTLOOK] in Chinese No 37, 16 Sep 85 pp 27-28

[Article by Shen Shiwei [3088 0013 4885] and He Zijia [0149 1311 5521]: "Shanghai: Its Tremendous Power of Radiation and Absorption"]

[Text] The red kapok has blossomed, and the Jingpo maidens of the southern frontier regions for the first time put on their locally produced jacquard skirts with colorful designs for their folk dance. They also offered wine to their fellow workers coming from Shanghai and thanked their Shanghai tutors for ending a chapter of their local history on the period when they had to weave their skirt fabrics by hand.

Formerly, the herdsmen in the grassland of Hulun Buir League complained of the blurred images televised by their local TV station. The Shanghai Science Association dispatched a technical team to "diagnose" and "treat the malady," and after removing the technical hurdles, pictures of high resolution could be seen on their TV screen. Many of these herdsmen have phoned the TV station to express their appreciation of their Shanghai comrades' assistance.

These two examples vividly show the radiation of Shanghai's advanced technology and management experience on the hinterland.

The "radiation" of Shanghai's "capabilities" in the economic, technical and intellectual fields on the hinterland, and Shanghai's assistance in developing the inland economy are the expectations of the whole country as well as an important mission entrusted to Shanghai by history. Shanghai is now fulfilling its own glorious mission, and its economic and technical assistance to the fraternal regions has become increasingly active in the past 2 years. With the minority regions in Yunnan, Ningxia, Xinjiang and Xizang alone, it has concluded more than 500 agreements of cooperation. Last year, it also formed more than 1,000 economic integrated bodies with other parts of the country in various forms.

The "inward shift" of Shanghai's intellectual power has borne rich fruits.

Item: Several of Shanghai's brand-name products have "taken roots" in the fraternal regions. Among them are the sewing machine of Beehive brand, the bicycles of Fenghuang and Yongjiu brands, the badminton ball of Aerospace

brand, and the TV sets of Jinxing and Kaige brands. The proliferation of these products has not only promoted the intensive expansion of its brand-name products and enabled it to devote its resources to the development of new products, but also helped the other places update their products. Three bicycle plants in Suzhou, Shaoxing and Nantong have formed integrated bodies with two Shanghai bicycle plants. Since then, they have planned to produce 1.2 million bicycles, equivalent to about one-fifth of Shanghai's bicycle output, each year.

Item: Shanghai has added wings to a number of fraternal plants. The Yantai Broad-Width Fabric Mill has gained immense benefits since the establishment of its business relations with Shanghai No 36 Textile Mill, the Taipingyang [Pacific] Textile Mill and the No 2 Printing and Dyeing Plant in 1983. Shanghai sent its skilled workers and capable cadres to assist in the solution of technical and management problems and within 1 year, turned the losses of the Yantai mill into profits. Last year, this mill's profits doubled that of the previous year. In Yantai City, thanks to Shanghai's assistance, 11 other textile enterprises have improved their economic results in varying degrees.

Item: A number of scientific research achievements have quickly become productive forces in other places. In a technical fair held by the Shanghai Scientific and Technological Development Center last year, many achievements of Shanghai's scientific research attracted the attention of the fraternal provinces and cities, and contracts were signed for the popularization and transfer of 190 items. Fudan University transferred its "technology of one-time gutamic acid fermentation in sugar [yici guansuan zhongtang fajiao 0001 2945 6253 6941 6808 0022 4743 4099 6806]" to the Haimen Gourmet Powder Plant of Jiangsu. After adopting this technology, this plant's general recovery rate exceeded 90 percent and its productivity approached international standards. Shanghai's institutes of higher learning and scientific research units have formed more than 100 integrated bodies for scientific research and production, while more than 500 of its consultation agencies have also given some 10,000 consultations in various fields of economic construction for the fraternal regions.

The practice in Shanghai has shown that absorption and radiation are mutually supplementary. The greater the absorption, the stronger will be the radiation, and the former provides a rich "reserve" for the latter. People in the economic circles of Shanghai have symbolically described the power of absorption and radiation as "going upstairs" and "going outdoors." On the one hand, Shanghai with its own unique power of absorption has brought in funds and advanced technologies from foreign countries. According to agreements reached last year, Shanghai brought in foreign funds of more than \$900 million, fourfold the previous year's amount, and imported more than 270 technologies. These technologies, after some digestive and creative work, will escalate its production structure and product mix "upstairs." On the other hand, after "going upstairs," Shanghai sent "outdoors" its products--which remained "downstairs." The Shanghai Broadcasting Materials Plant, producer of the first black-and-white TV set in Shanghai, has rich technical resources. It imported from foreign countries some key equipment, instruments

meters and technology for producing color TV sets, and after digesting them and adding some supplementary parts, designed and built a production line capable of producing 150,000 sets of color and black-and-white TV sets. At the end of last year, this "dragon" of more than 450 m along the bank of the Huangpu Jiang, smoothly "took wings" from the Tianjin Television Plant at the Hai He bank and produced a large number of TV sets. Compared with a completely imported foreign production line of the same type, this color television production line resulted in a 50 percent reduction in investment and construction period, or a saving of two-thirds of the amount of foreign exchange.

Since 1981, Nanhui Waterproof Paint Factory of Shanghai has built factories jointly with 24 enterprises in 22 provinces, municipalities and autonomous regions including Fujian, and transferred its technology to 28 enterprises of the fraternal provinces and cities. While stretching its "feelers" into the hinterland, this factory also kept its eyes on the building materials industry of advanced international standards on the foreign market. It has imported some new technologies and equipment from Japan and the FRG to increase the technical reserve for the enterprises.

"Internal integration" has infused new vitality into Shanghai. With the vast hinterland as its support and through cooperation and exchange of materials, Shanghai can obtain abundant energy resources, fine-quality materials, and the necessary conditions of production. Up to now, Shanghai Municipal Construction Bank alone has granted loans for more than 160 joint projects with a total investment of 330 million yuan, thus enabling Shanghai to obtain a continual supply of coal, pig iron, various nonferrous metals and building materials. By exporting their technology, some trades and enterprises in Shanghai have also received their urgently needed raw materials from the fraternal regions in return. In the first quarter of this year, the Shanghai Leather Shoes Factory obtained more than 600,000 sq feet of leather from its cooperating factories and thus solved the problem of raw materials.

Shanghai's radiation power is now intensifying in three different directions: first, within the Shanghai economic zone according to the principle of specialization and cooperation; second, along the Chang Jiang valley, and third, to various parts of the country, particularly the remote regions.

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CSO: 4006/241

DOMESTIC TRADE

INCREASED TRANSACTIONS IN FAIRS REPORTED IN SYMPOSIUM

Beijing RENMIN RIBAO in Chinese 26 Oct 85 p 2

[Article: "Develop Fairs, Enliven and Control the Market"]

[Text] On 24 October, Ren Zhonglin [0117 0022 2651] spoke at the conclusion of a symposium of fairs held by 14 provinces and cities. He pointed out that an important task for the industry and commerce administration agencies now is to set up more fairs, attend to the wholesaling of agricultural and sideline products, improve market control by raising the management level, and further enliven the market.

He said: Since the beginning of this year, following the reform in the system of state purchase of agricultural and sideline products and the lifting of price controls on vegetables, meat and nonstaple foodstuffs, commodities and the volume of transactions in the fairs have greatly increased. According to statistics on some model fairs in various provinces and cities, the volume of transactions in the first half of this year increased 65 percent over the same period last year. Fairs have been an important channel for the circulation of agricultural and sideline products. He continued: The industry and commerce administration agencies must adapt their work to this new situation, control the market well and at the same time set up more fairs. The layout of markets in large and medium-size cities should include fairs of all sizes, large, medium and small, and should be based on a combination of centralization and decentralization with the small and decentralized fairs in the leading position. Besides increasing the number of fairs, the cities should have some individual itinerant traders to peddle their wares through the streets and lanes for the convenience of the broad masses. The cities should also set up wholesale markets for agricultural and sideline products for themselves. In the work of market control, we should provide the producers and peddlers with information on market conditions and other service so that closer links can be formed between the places of production and the places of marketing.

Ren Zhonglin said: Thanks to these fairs, more foodstuffs are now available to the masses. We must raise the hygienic standards by strictly enforcing a system of food inpoundment. The foodstuffs sold at the fairs must have passed due inspection. We must resolutely prohibit any cheating on weight, adulteration of products, compulsory buying and selling, high-handed behavior and other illegal deeds.

Finally, he emphatically pointed out: The industry and commerce administration agencies should step up their ideological and political work and improve their workstyle. Most of the cadres in these agencies are hard working, in close contact with the broad masses, and law abiding. However, there are also some problems with a few of them. For example, some of them are stiff in manner and work with crude methods; others use their authority for private gain in violation of law and discipline. These violators must be strictly dealt with. We must step up ideological and political work in order to improve the quality of our cadres in industry and commerce administration.

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CSO: 4006/241

DOMESTIC TRADE

CHONGQING, WUHAN, NANJING KEY CITIES IN CHANG JIANG VALLEY

Wuhan CHANGJIANG RIBAO in Chinese 26 Aug 85 p 2

[Article by correspondent Zong Sheng [1350 3932]: "Strengthen the Horizontal Links between Central Cities, Promote Joint Development of Chang Jiang Valley's Economy"]

[Text] The symposium held by Chongqing, Wuhan and Nanjing on the joint development of the Chang Jiang Valley ended today at Nanjing after a 4-day session. The participants showed great enthusiasm and concern for this joint undertaking. The responsible persons of these three cities all agreed that since Chongqing, Wuhan and Nanjing are all experimental cities designated by the State Council in the economic structural reform, they must use the reform to strengthen their integration during the all-round development and utilization of the Chang Jiang, and then use the integration to promote the development and to synchronize it with the development of commodity economy among the vast countryside along the Chang Jiang valley.

A warm and lively atmosphere prevailed over the symposium. Liao Bokang [1675 0130 1660], secretary of Chongqing Municipal Party Committee; Ma Li [7357 0500], chairman of Chongqing Advisory Commission; Wang Qun [3769 5028], first secretary of Wuhan Municipal Party Committee; Cheng Weigao [4453 4850 7559], secretary of Nanjing Municipal Party Committee; and Zhang Yaohua [1728 5069 5478], mayor of Nanjing, attended the symposium. Zhou Tai [0719 1132], adviser of State Restructuring of the Economic System Commission, spoke at the meeting.

All the participants agreed on the importance of the Chang Jiang, the first river of the motherland, and on the need for an in-depth study and restudy of the special position occupied and the role played by the Chang Jiang valley economy in central China, now in the process of development. The Chang Jiang is a "golden waterway" with great comprehensive resources which are rare not only in China, but also in the world. Its drainage basin is also the region with the best basic conditions for social economy, since the "land of abundance" [Sichuan]. Hunan, Hubei and the "golden delta" are all included in this drainage basin. Now is the golden age for China's reform and construction and for the development of this river. Acceleration of its economic development has an immense practical and profound historical significance in bringing together China's national economy of the east and the west, in promoting contacts between the south and the north, in opening

up the urban rural areas for coordinated development, and in backing up the strategic plans for the 21st century.

The participants at the meeting pointed out: All-round development and utilization of the Chang Jiang is a heavy task and a grand strategy. Besides relying on the state's macroeconomic policy decision, all the regions along the river, and particularly the central cities, must implement the state's principle of simultaneous action by the state and the localities with the utmost enthusiasm.

Development and utilization should rely on the efforts of central cities along the river. There are more than 20 cities along the river, each with its own characteristics. The major central cities of Shanghai, Nanjing, Wuhan and Chongqing have great economic and technical potential as well as efficient communications and transportation facilities and large markets. They are the main support for the development and utilization of the Chang Jiang. With the Chang Jiang as a connecting bond, we can strengthen the horizontal links between the central cities of Chongqing, Wuhan and Nanjing, and then extend these links to join together the small and medium-size cities like "silver threads running through a number of pearls" with the radiation on the vast hinterland. These links will gradually extend along the main tributaries to form more economic zones and groups of cities, and enrich the entire valley economy. Then we will be able to attain the objective of developing and utilizing the Chang Jiang by reducing the investment, increasing the construction speed, and improving the economic results.

The participants at the meeting held that the cities along the river should have the spirit of proceeding from realities and attempt the easy, small and low-level tasks of the near future before the difficult, large and high-level ones of the distant future so that multilevel and multichannel economic integrated bodies of various forms could be gradually established. These links can be strengthened in the near future in six different ways, namely, developing combined transportation, expanding the channels of circulation, stimulating the flow of funds, promoting tourism, strengthening industrial cooperation, and speeding up information transmission through posts and telecommunications. At present, the three key cities in particular may jointly develop the Xinshengwei port for foreign trade.

The relations of cooperation can be bilateral, multilateral or all inclusive. As for the forms of combination, we can use the model of the "four provinces and five localities" in the southwest for reference. There should be first, consultation on an equal basis and second, mutual benefits in the voluntary formation of a Chang Jiang valley community with a common destiny. The central cities along the river should discuss among themselves about the establishment of a system of combination and a permanent regulation agency, and hold meetings either regularly or whenever necessary.

This afternoon, Sun Han [1327 7318], deputy secretary of Jiangsu Provincial Party Committee, and Chen Huanyou [7115 3562 0645], vice governor of Jiangsu, met the participants at the meeting. Gu Yonghuai [7357 3057 2037], manager of the Chang Jiang Steamship Corp, was invited to attend the meeting.

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CSO: 4006/241

FOREIGN TRADE AND INVESTMENT

PRC TO EXPORT STEAMCOAL TO NETHERLANDS

OW291324 Beijing XINHUA in English 1250 GMT 29 Nov 85

[Text] The Hague, 28 Nov (XINHUA)--China is to export 4 million metric tons of steamcoal to the Netherlands in the next 5 years under a coal supply agreement signed in Rotterdam today.

This is the first coal exports by China to the Netherlands since 1978 and also is the biggest single commodity deal China has ever made in recent years with the Netherlands and Western Europe as a whole. To diversify its energy resources, the Netherlands which used to depend totally on imported oil now imports 5 million tons of coal every year, mainly from the United States and Australia. In 1985, the country bought 50,000 tons of steamcoal from China.

Under the 5-year coal supply agreement (1986-1990), China will supply the Netherlands with 400,000 tons of steamcoal in 1986, 600,000 tons in 1987 and 1 million tons each in the following 3 years.

The agreement was signed by the China National Coal Import and Export Corporation and the Dutch Coal and Shiping Company (SSM Coal), the biggest coal dealer in the Netherlands.

Dutch Prime Minister Ruud Lubbers showed great concern over the coal business with China when he received a visiting group of the China National Coal Import and Export Corporation on 25 November in Rotterdam.

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CSO: 4020/120

FOREIGN TRADE AND INVESTMENT

PRC, AUSTRALIA AGREE TO MINERAL, METAL ACCORD

OW191751 Beijing XINHUA in English 1454 GMT 20 Nov 85

[Text] Canberra, 19 Nov (XINHUA)--Australia and China have decided to establish long-term cooperation in the nonferrous metal industry.

This was stated in an agreed record reached at the first meeting of the Australia-China joint working group on nonferrous minerals and metals, which closed here this afternoon.

Under the record, China and Australia will urge their research institutes to start wide ranging contacts and cooperation. They will encourage their companies, banks and corporations to invest, and enter into negotiations of joint ventures, and to exploit aluminum, copper, lead and zinc and other mineral resources in both countries.

Nonferrous metal enterprises in both countries are also encouraged to establish cooperation with relevant enterprises in other countries.

The two sides also agreed to promote cooperation between geological specialists in joint prospecting in both countries or in a third country. Meanwhile, they will examine the scope for each country to import nonferrous metals and raw materials.

As an initiative, the China National Nonferrous Metals Industry Corporation and Australia's Commonwealth Scientific and Industrial Research Organization signed a 5-year scientific and technical cooperation agreement here today to exchange personnel and information.

The next meeting of the joint working group will be held in Beijing in the second half of 1986.

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CSO: 4020/120

## FOREIGN TRADE AND INVESTMENT

### PROSPECTS OF MALAYSIAN ECONOMIC TIES VIEWED

OW290910 Beijing XINHUA in English 0755 GMT 29 Nov 85

[Text] Beijing, 29 Nov (XINHUA)--Prospects for greater Sino-Malaysian economic cooperation and trade are predicted by observers here as the Malaysian Prime Minister Mahathir Bin Mohamed ended his visit to China yesterday. Both sides emphasized such contacts throughout the visit of Mahathir and his party, the largest group he has ever brought to a foreign country.

Chinese Premier Zhao Ziyang described the Sino-Malaysian economic cooperation and trade as being beneficial to both countries. Mahathir on many occasions stated that both countries should have direct trade and explore new ways, such as barter trade and reciprocal trade.

Accompanying Mahathir on his China visit were over 100 chairmen and general managers of Malaysian firms who held talks with their Chinese counterparts, on possible areas of cooperation. They were briefed on China's foreign trade, its use of foreign capital and its labor services to foreign countries in recent years. Economic cooperation between the two countries includes construction of an international trade center and a large modern tourist hotel, joint ventures between Kwok Brothers Limited, Malaysia and China. Letters of intent on several joint-venture projects have also been signed in recent years. After talks between Zhao Ziyang and Mahathir, departments of both countries met to study the possibility of cooperation in shipping.

During his stay in Shanghai, Mahathir expressed optimism about increased shipping ties between this Chinese port city and Malaysian ports. Malaysian businessmen also interest [as received] in cooperation on wood processing, construction, construction of tourist facilities, refining palm oil and processing rubber.

An agreement on avoiding double taxation and preventing fiscal evasion with respect to income taxes was signed during the Malaysian prime minister's visit. These are expected to encourage economic cooperation between the two countries. The volume of trade between the two countries jumped from 20 million to 330 million U.S. dollars in the decade after

the establishment of diplomatic relations in 1974. Trade is expected to take a giant step forward as a result of Mahathir's current visit. China imports mainly rubber, timber, palm oil, polyester fibres and cocoa beans; and it exports food and edible oil, medicine, paper, fodder, cotton cloth, steel products, hardware, chemical products and machines.

The memorandum of understanding signed during the visit on China's purchase of hot briquettes from a Malaysian firm showed China's willingness to import Malaysian goods other than traditional items. China agreed to continue its purchase of timber, cocoa beans and palm oil while Malaysia will import Chinese tea, textiles and gunny bags.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

TRADE WITH NEW ZEALAND--Wellington, 20 Nov (XINHUA)--Prime Minister David Lange said today that the two-way trade between New Zealand and China has grown 64 percent this year. The prime minister disclosed this at a dinner given by Chinese Charge d'Affaires Cao Pizhong in honor of visiting Chinese Minister of Textile Industry Wu Wenying, who arrived here yesterday. Lange said "next year will be another busy year for New Zealand-China relations," adding that he was looking forward to visiting China again to see its economic progress since his first visit to the country in 1981. This morning, letters on cooperation in textile, wool, technical services and trade facilitation were exchanged by Minister Wu Wenying and New Zealand Minister of Trade and Industry David Caygill. A ceremony was held this afternoon to sign documents on the first New Zealand-based joint venture for the Chinese textile industry. [Text] [Beijing XINHUA in English 1636 GMT 20 Nov 85] /9604

INVESTMENT PROTECTION ACCORD--Beijing, 21 Nov (XINHUA)--China and Singapore signed an agreement on the promotion and protection of investment here today. The two governments expressed their desire in the agreement to create favorable conditions for greater economic cooperation and investment in each other's country based on the principle of equality and mutual benefit. Zheng Tuobin, Chinese minister of foreign economic relations and trade, and Cheong Wan Teh, Singaporean minister for national development, were present at the signing ceremony. Over 20 projects in China with Singapore investment have been completed and some more are in the implementation stage. [Text] [Beijing XINHUA in English 0815 GMT 21 Nov 85] /9604

SINO-SINGAPORE JOINT VENTURE--Guangzhou, 23 Nov (XINHUA)--The Chiwan petroleum supply base, a Sino-Singapore joint venture, officially opened today in the Shenzhen Special Economic Zone, Guangdong Province. The base, which has been in trial operation since last year, includes a harbor for 5,000 dwt ships, as well as other facilities to service the oil exploration and development program in the South China Sea. A ceremony was held to mark the opening of the Chiwan Petroleum Supply Base Co. Ltd., a joint venture for a period of 17 years, with the China Nanshan Development Co. Ltd. contributing 70 percent of the shares. Present were

Yu Qiuli, member of the Political Bureau of the Chinese Communist Party Central Committee, and Lee Hsien Loong, Singapore minister of state for trade and industry. Wang Tao, Chinese petroleum industry minister, was also present. [Text] [Beijing XINHUA in English 1640 GMT 23 Nov 85] /9604

DAYA BAY NEGOTIATIONS--Hong Kong, 2 Dec (AFP)--Negotiations between China, France and Britain over China's first major nuclear power plant should be completed in the next 2 months, the British Trade Commissioner here said today. Christian Adams said that although the three sides still had "some loose ends to tie up," especially over prices, the negotiators were now working on the final stage of the contracts after a successful period of talks since mid-November. The price gap "has been progressively narrowed," Mr Adams told reporters. Britain's General Electric Company is negotiating to supply conventional generator equipment for the plant to be built in Daya Bay, southern China, while Framatome of France hopes to supply two nuclear reactors. Disagreement over prices with the Chinese had led to GEC's pull-out from the negotiating table in October, but the talks were resumed last month. "There's hope that the negotiations will be completed by Christmas," Mr Adams said, but he added that it appeared likely that another month would be needed before the talks were finalised. [Text] [Hong Kong AFP in English 1324 GMT 2 Dec 85] /9604

CSO: 4020/120

TRANSPORTATION

COMMUNICATIONS VICE MINISTER DISCUSSES HIGHWAY CONSTRUCTION

HK031207 Beijing ZHONGGUO XINWEN SHE in Chinese 1202 GMT 30 Nov 85

[Report: "Communications Vice Minister Interviewed on Highway Construction"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 30 Nov (ZHONGGUO XINWEN SHE)--Within the next 5 years, China will build 70,000 kilometers of highways, including 12,000 kilometers of highways at and above the grade II level and 27 large highway bridges. The outlook for the main highways in the economically developed areas will also be remarkably improved.

Wang Zhanyi, vice minister of communications, disclosed the above in an interview with this reporter.

Wang Zhanyi said that the main highways to be built and revamped during the Seventh 5-Year Plan include the Shenyang-Dalian, Nanjing-Yangzhou, and other grade I highways, and the Hefei-Nanjing, Changchun-Harbin, Guangzhou-Zhuhai, Hangzhou-Nanjing, Luoyang-Kaifeng, Beijing-Qinghuangdao, and other grade II highways. The large highway bridges to be built include the 5,000-meter-long Huang He bridge in Zhengzhou and the 1,000-meter-long Songhua Jiang bridge in Harbin.

Vice Minister Wang said that the completion of these large construction projects will remarkably improve the highway facilities and help ease the strain in China's current highway transportation.

During the Sixth 5-Year Plan, he continued, China achieved marked successes in highway construction. China's highway mileage increased from 880,000 kilometers in 1980 to 940,000 kilometers in 1985. Of this, the mileage of bituminous highway increased by 32,000 kilometers and that of grade I highways increased from 190 to 390 kilometers. In addition, dozens of large highway bridges were built, including the Huang He bridges in Jinan and Baotou, the Chang Jiang bridge in Luzhou, and the Yongding He bridge.

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CSO: 4006/409

## TRANSPORTATION

### CIVIL AVIATION DEVELOPS IN 6TH 5-YEAR PLAN

OW092148 Beijing XINHUA Domestic Service in Chinese 0827 GMT 9 Dec 85

[Text] Beijing, 9 Dec (XINHUA)--China's air transportation has achieved a sustained and rapid growth in the Sixth 5-Year Plan period. Over 80 new flight routes were inaugurated and 30 airports built or expanded over the past 5 years. They have played an important role in promoting air transportation for international and domestic long-distance passenger service and tourism.

According to statistics provided by the Civil Aviation Administration of China, during the Sixth 5-Year Plan period, the total freight turnover by civil aviation departments reached 4 billion metric tons per km, an increase of 167 percent over that of the previous 5-year plan period. This year passenger turnover will be 7.3 billion and the turnover of cargo and postal services will be 180,000 metric tons, both more than double those of 1980.

Continuously expanding its civil aviation networks, China has 266 domestic and international flight routes now, 85 more than in 1980. Over 30 tourist flight routes were inaugurated in recent years. Large aircraft fly all major domestic routes, which now have a more frequent flight schedule. There are 27 international routes, 9 more than that of 1980. These routes serve 25 cities in 20 countries. The number of flights between China's interior areas and Hong Kong has also increased in recent years. There are now seven routes between the interior areas and Hong Kong. In addition to the six cities served by regular flights, five other cities have inaugurated charter flights to Hong Kong.

During the Sixth 5-Year Plan period, China built and expanded over 30 airports with funds from various sources. The expanded airports in Guilin, Fuzhou, Chengdu, and Wuhan can accommodate Boeing-707's and Boeing-737's. To cope with the needs of the open coastal cities, airports or aviation stations were built or expanded in Xiamen, Qingdao, Dalian, Haikou, Zhanjiang, Yantai, Ningbo, Qinghuangdao, and Lianyungang over the past 2 years. Airports in Lhasa, Jiamusi, Kashi, Yinin, Altay, and Heihe were expanded to ease the strains on transportation.

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CSO: 4006/409

TRANSPORTATION

'YUN' CIVIL AIRCRAFT REFITTED BY HONG KONG COMPANY

SK052250 Beijing BEIJING RIBAO in Chinese 22 Nov 85 p 1

[Text] A reporter learned from the Ministry of Aeronautics Industry yesterday that this ministry recently made two types of aircraft for civilian use--the Yun 7-100 and Yun 12-2. Some economic and technical norms of these two types of aircraft attained or surpassed the level of domestic and foreign aircraft of similar types. Based on the models of the existing Yun 7 and Yun 12 aircraft, they were refitted by importing advanced foreign technology, which has presented good prospects for using Chinese-made aircraft in civilian aviation.

The Yun 7 aircraft is a middle- and short-distant passenger airliner made by the Xian Aircraft Manufacturing Company of the Ministry of Aeronautics Industry. It was designed and put into small production in 1982. The Yun 12 is a small multipurpose aircraft made by the Harbin Aircraft Manufacturing Company of the Ministry of Aeronautics Industry in the 1980's. These two types of aircraft, after being successfully manufactured, tested, and widely used domestically, have proven to be in conformity with China's national situation. They have good prospects for further development. The Yun 7 has been formally used and put into scheduled operations by the Wuhan civilian aviation bureau. However, in terms of safety, reliability, and comfort, these two types of aircraft still lag behind advanced foreign aircraft to a certain extent. The electronic equipment in the aircraft in particular is fairly backward. In order to further improve the functions of Chinese-made civilian aircraft, the Ministry of Aeronautics Industry cooperated with the Hong Kong Aircraft Engineering Company Limited in refitting the Yun 7 and Yun 12 aircraft.

The Yun 7-100 aircraft is equipped with 30 items of advanced electronics equipment for communication and guidance, with small wing-tip flaps [Yi Shao xiao yi 5065 2744 1420 5065] added. This has enhanced the capability of the aircraft in navigation and in landing under dangerous and complicated circumstances and has simplified pilot operation and reduced fuel consumption. In addition, this aircraft is airconditioned, and the passengers on board will not feel "ear pressure" during the flight. The whole flight will be more comfortable.

After being refitted, the Yun 12-2 aircraft has reduced sound pollution in the cabin and is automatically airconditioned. All equipment in the cabin is made of fireproof materials, meeting the requirements of U.S. navigation regulations. This aircraft can carry 17 passengers.

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TRANSPORTATION

BRIEFS

CONTAINERIZED TRAFFIC--Guangzhou, 20 Nov (XINHUA)--During the January-September period, China's containerized traffic exceeded 11.4 million metric tons, an increase of 44.7 percent over the same period last year; and the nation's containerized traffic this year is expected to quadruple that of 1980, according to a national conference on containerized traffic took place not long ago in Zhongshan Municipality, Guangdong. In recent years, international stations for transferring containers have been built in Beijing, Tianjin, Shimiazhuang, Shanghai, Wuxi, Hangzhou and other cities; the number of medium-sized and small railway stations capable of handling domestic containerized traffic has reached 260, and the number of large stations capable of handling international containerized traffic has reached 13 berths capable of accommodating 10,000-metric ton containerized vessels.  
[Excerpts] [Beijing XINHUA Domestic Service in Chinese 0018 20 Nov 85 OW]  
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PASSENGER PLANE TEST FLIGHT--Urumqi, 7 Dec (XINHUA)--The Yun 7-100 passenger plane designed and made in China took off from Xian and arrived in Urumqi through Lanzhou and Jiuquan on 5 December. It made a flight demonstration at Urumqi's international airport and passed the test flight appraisal this morning. Yun 7-100 passenger plane is developed by the Xian Aircraft Company and designed for medium and short-haul passenger transport. The plane has advanced electronic communications and navigation equipment. Small outboard spoilers have been added to the tips of the wings in order to increase the safety factors and maneuverability of the aircraft. New-type noncombustible materials are used for decoration in the cabin. The aircraft is safe, comfortable, and well decorated. It can carry a maximum of 52 passengers with three crew members, and reach a maximum altitude of 9,000 meters with a maximum cruising speed of 400 kilometers per hour. Experts believed: After its successful development, the Yun-7 aircraft has gone through various test flights. It has been proven that this type of aircraft conforms with the situation in China and has bright prospects for future development. [Article by reporter Liu Guangniu] [Text] [Beijing XINHUA Domestic Service in Chinese 1627 GMT 7 Dec 85 OW] /6662

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HONG KONG

CENTRAL BANK IDEA REJECTED IN HONG KONG

Hong Kong MING PAO in Chinese 3 Oct 85 p 6

[Article: "The Banking Department Opposes the Establishment of a Central Bank Because It Would Hinder Hong Kong's Economic Development, Saying that the Functions of a Central Bank Have Been Replaced by the Existing System"]

[Text] Bai Liyi [4101 4409 1355] of the Banking Department explained why he opposed the establishment of a central bank when he spoke on Hong Kong's banking system yesterday at the annual meeting of the Industry Management Association.

He said: Many major functions of a central bank have been clearly and sufficiently taken care of by one or another aspect of the existing system in Hong Kong. Establishing a central bank or other kinds of new organs not only would create much confusion but, more importantly, might hinder Hong Kong's economic development. In addition, he said, Hong Kong's reserves and other assets including foreign exchange funds belong to Hong Kong and should be used in the interests of Hong Kong.

He explained: There are three very good reasons for converting the majority of foreign exchange funds into foreign currency assets: The needed amount of suitable HK\$ assets is not available; foreign exchange funds need foreign currencies to interfere, when necessary, with the market to withstand the pressure of exchange rates; and the fact that foreign exchange funds have considerable amounts of foreign currency assets helps increase the trust of foreign countries in Hong Kong.

He said: Hong Kong's success is partially attributable to the flexibility of its economy. The biggest question is whether this flexibility can coexist with this type of monetary control. It is certain that such controls would often hinder the growth of new enterprises which are the lifeline of Hong Kong.

With regard to the system of issuing paper currency in Hong Kong, Bai Liyi said, the current system of dollar-based exchange rates is not a recent creation. Instead, it is in essence the same as the previous system where exchange rates were linked to pound sterling. This pound-based system was in

effect between 1935 and 1972. Even before 1935, paper money in circulation was supported by banks.

However, there are two differences between the current dollar-based system and the previous pound-based system. According to the current system, the purchase and sales prices of liability certificates are the same--HK\$7.8 to [US]\$1. According to the previous pound-based system, when purchasing liability certificate, one-eighth of a penny was charged for each HK\$. In addition, under the pound-based system, banks issuing paper money had to provide pound sterling while other banks were allowed to purchase paper money with HK\$ accounts.

Bai Liyi pointed out: An economic system like Hong Kong's requires that the government react quickly and refrain from overemphasis on financial affairs. Because Hong Kong lacks natural resources and relies totally on foreign trade, Hong Kong's economic, financial and monetary policies may need to be coordinated by the central government, but coordination in such a scale may be unnecessary in other fields. Mr Bai believes that if a central bank is established, this coordination may be impeded.

Bai Liyi mentioned an article recently published by Lloyd's Bank. He said this article thinks that all functions of a central bank can be exercised by different types of public and private organizations. Mr Bai said: This is exactly the Hong Kong model.

When talking about the functions of foreign exchange funds, Bai Liyi pointed out: Foreign exchange funds play a very important role in the banking system. Generally speaking, they are a means for implementing fiscal policy. To be more specific, the rules and regulations for foreign exchange funds define foreign exchange funds as "funds used, when the finance department sees fit, to influence, directly or indirectly, the foreign exchange value of Hong Kong dollars or for other related supplementary purposes." Foreign exchange funds are also the investment manager of the Hong Kong government which oversees the major part of the government's monetary assets.

Bai Liyi pointed out: Hong Kong's paper money issuance system is functioning very well. Some people express concerns over the lack of restrictions on the amount of cash to be issued by the issuing banks. Mr. Bai said there is no need for such concerns.

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CSO: 4006/92

HONG KONG

#### CHINESE BANKS INCREASE HONG KONG LOANS

Hong Kong TA KUNG PAO in Chinese 20 Sep 85 p 4

[Article: "Industrial Loans of 13 Chinese Banks Exceed HK\$1.6 billion in 8 Months--Preferential Loan Period Exceeds 15 years"]

[Text] From January to August, 13 Chinese banks in Hong Kong made 4,477 industrial loans to Hong Kong's industrialists. The loans amounted to HK\$ 1.63 billion, equivalent to 90 percent of the total amount of all loans issued last year. According to statistics, by the end of June this year, the total amount of loans issued by Chinese banks to Hong Kong's industrialists was more than HK\$2.95 billion.

In the first half of this year, the amount of new industrial loans granted by Xinhua Bank, Huaqiao Commercial Bank, and Jincheng bank, which are relatively active in supplying loans, accounted for 52 percent of the total amount of loans granted by the banking group.

To support Hong Kong businessmen in making new investments in industry, the Chinese banking group provides loans on preferential conditions. For the purchase of factories, 15-year or longer loans may be offered to cover 80 percent of the expense at lower interest rates and greater discounts. The Chinese banking group also vigorously supports firms in purchasing new advanced equipment. For instance, the Yanye Bank made relatively large amounts of loans to a large clothing factory in Sha Tian and a group producing magnetic tapes and other electronic products in Hong Kong for the purchase of advanced equipment.

The Chinese banking group has relaxed restrictions on the issuance of high-risk credit loans and allowed the amount of credit loans to increase to 37 percent of the total amount of industrial loans, the largest of all categories among industrial loans.

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END